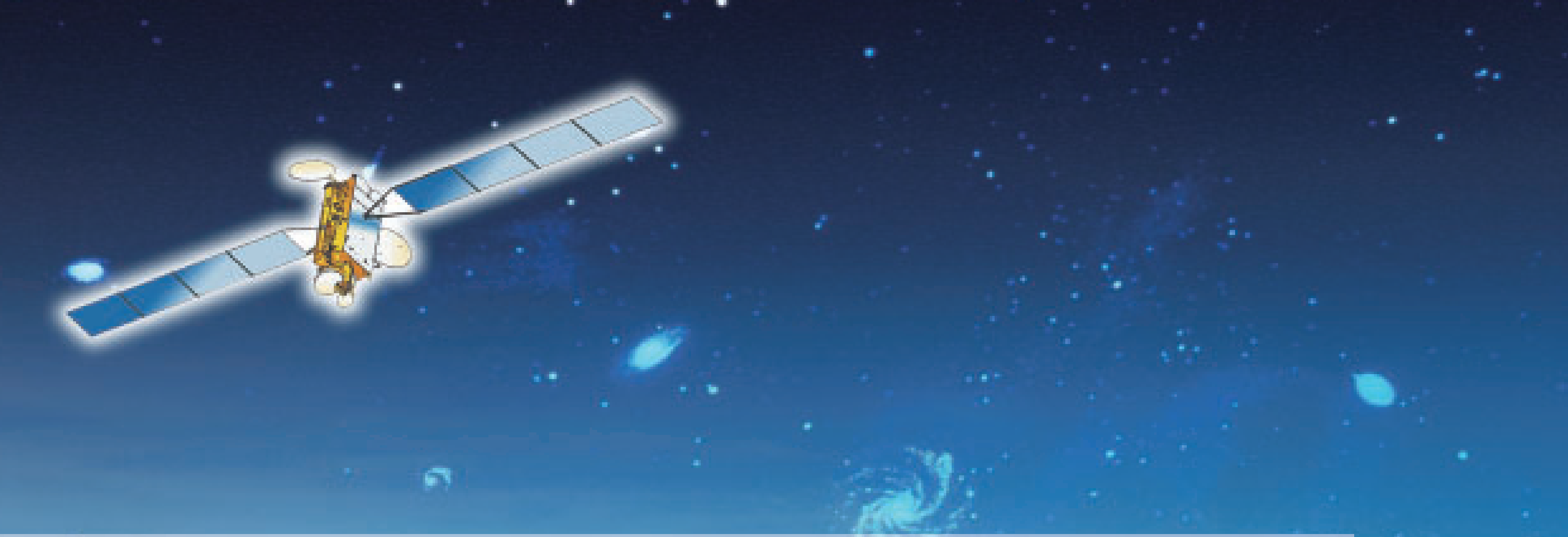
APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1045)

A N N U A L   R E P O R T   2 0 0 7



Company Profile

APT SATELLITE HOLDINGS LIMITED ("APT Group") is a listed company on both The Stock Exchange of Hong Kong Limited and New York Stock Exchange, Inc. Having started its operation in 1992, APT Group provides high quality services in satellite transponders, satellite communication and satellite TV broadcasting to the broadcasting and telecommunication sectors in Asia, Europe and the United States, and achieves remarkable results. APT Group currently operates five satellites namely APSTAR I, APSTAR IA, APSTAR IIR, APSTAR V and APSTAR VI ("APSTAR SYSTEMS") through its own satellite control centre in Tai Po, Hong Kong. APT Group has finished building its satellite TV broadcasting platform for the provision of "one-stop-shop" satellite TV broadcasting services, providing the best quality and reliable satellite TV uplink and broadcasting services to the customers. In addition, pioneered by advanced APSTAR V and ARSTAR VI, and supported by comprehensive broadcasting and telecommunications services, APT Group provides quality solutions to satisfy our customers' needs.

APSTAR Systems

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR-VI	Alcatel SB-4100 C1	134°E	38	China, India, Southeast Asia, Australia,Hawaii, Guam, South Pacific Islands	12	China (including Hong Kong, Macau and Taiwan)
APSTAR-V	SS/L FS-1300	138°E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	8 8	China (including Hong Kong, Macau and Taiwan) China and India
APSTAR-IIR	SS/L FS-1300	76.5°E	28	Europe, Asia, Africa, Australia, about 75% of World's population	16	China (including Hong Kong, Macau and Taiwan) and Korea
APSTAR-IA	Boeing BSS-376	–	24	–	–	–
APSTAR-I	Boeing BSS-376	142°E	24	–	–	–

Forward-Looking Statements

This report contains certain forward-looking statements, such as those that express with words "believes," "anticipates," "plans" and similar wordings. Such forward-looking statements involve inherent risks and uncertainties, and actual results could be materially different from those expressed or implied by them. As regards the factors, uncertainties as well as the risks, they are identified in the Company's most recently filed Form 20-F and reports on Form 6-K furnished to the US Securities and Exchange Commission.

Contents

DIRECTORS

Executive directors

Ni Yifeng *(President)*
Tong Xudong *(Vice President)*

Non-executive directors

Rui Xiaowu *(Chairman)*
Lim Toon
Yin Yen-liang
Wu Zhen Mu
Zhao Liqiang
Yong Foo Chong
Tseng Ta-mon
(alternate director to Yin Yen-liang)

Independent non-executive directors

Huan Guocang
Lui King Man
Lam Sek Kong
Cui Liguo

COMPANY SECRETARY

Lo Kin Hang, Brian

AUTHORISED REPRESENTATIVES

Ni Yifeng
Lo Kin Hang, Brian

MEMBERS OF AUDIT COMMITTEE

Lui King Man *(Chairman)*
Huan Guocang
Lam Sek Kong
Cui Liguo

MEMBERS OF NOMINATION COMMITTEE

Huan Guocang *(Chairman)*
Tong Xudong
Lui King Man
Lam Sek Kong
Cui Liguo

MEMBERS OF REMUNERATION COMMITTEE

Lui King Man *(Chairman)*
Tong Xudong
Huan Guocang
Lam Sek Kong
Cui Liguo

QUALIFIED ACCOUNTANT

Lau Mei Bik

AUDITORS

KPMG

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS

Richards Butler
Kirkpatrick & Lockhart Preston Gates Ellis LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
No. 6, Front Street
Hamilton, HM 11
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

ADR DEPOSITARY

The Bank of New York
Depositary Receipt Division
101 Barclay Street 22 W
New York NY 10286
USA

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

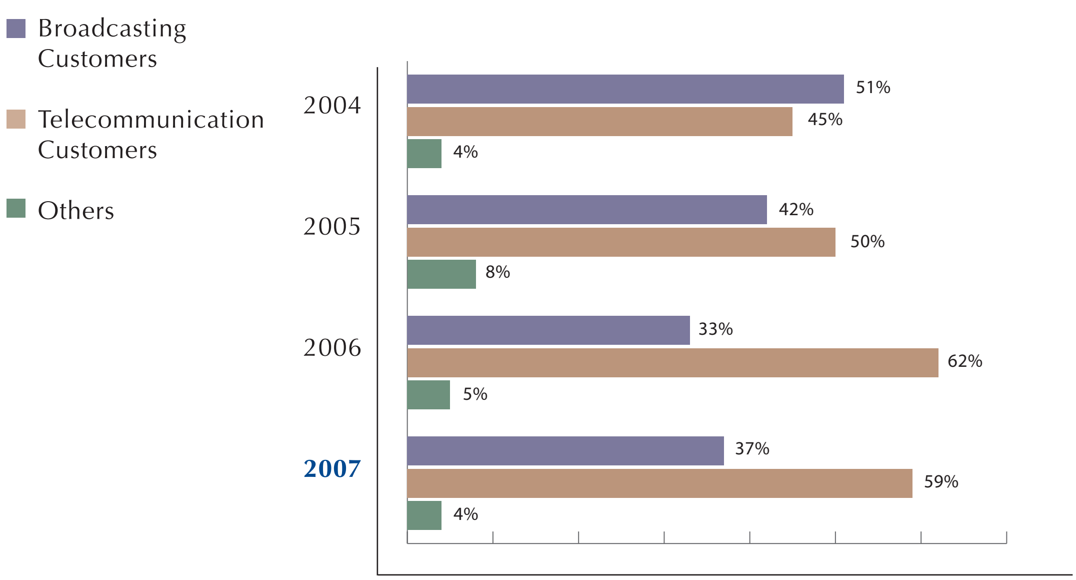
22 Dai Kwai Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong
Tel: (852) 2600 2100
Fax: (852) 2522 0419
Web-site: www.apstar.com
e-mail: aptmk@apstar.com (Marketing)
investors@apstar.com (Investor Relations)

STOCK CODE

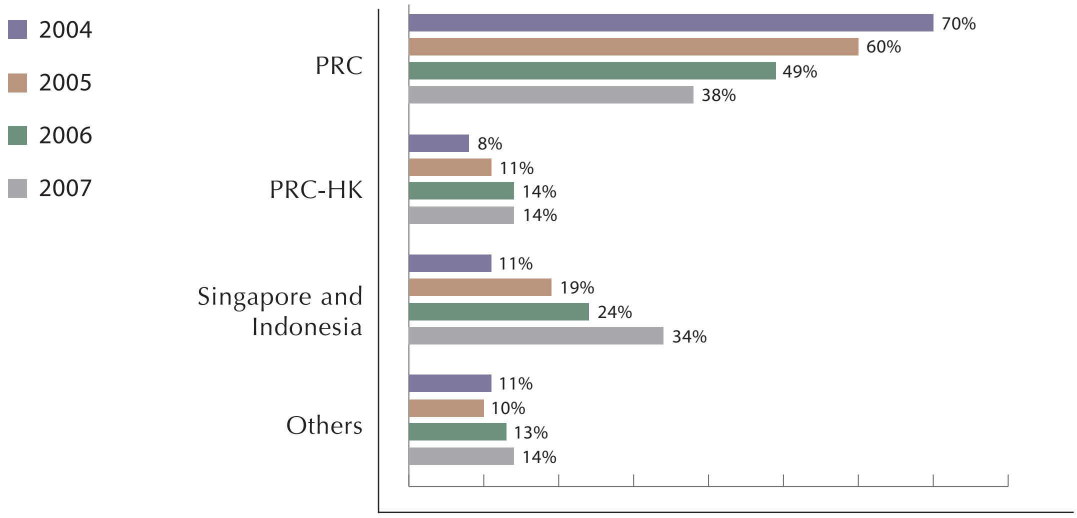
1045 (in Hong Kong)
ATS (in New York)

TURNOVER & PROFIT/(LOSS)
(HK$ Million)

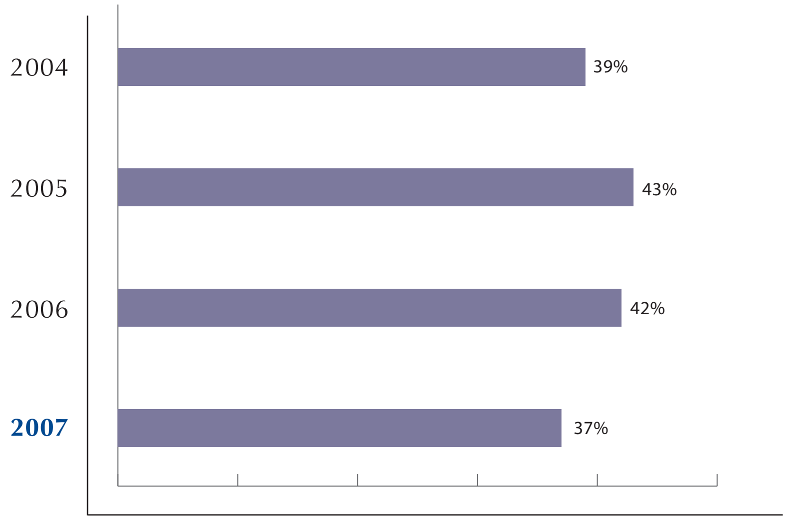
TURNOVER BREAKDOWN BY CUSTOMER SECTORS
(Percentage)



TURNOVER BREAKDOWN BY REGION
(Percentage)



TOTAL LIABILITIES TO TOTAL ASSETS RATIO
(Percentage)



Mr. Rui Xiaowu
Chairman

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") hereby announces the audited results of the Company and its subsidiaries (the "Group") in respect of the financial year ended 31 December 2007, which had been prepared in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards.

RESULTS

For the financial year ended 31 December 2007, the Group's turnover and profit attributable to equity shareholders amounted to HK$451,626,000 (2006: HK$426,988,000) and HK$5,581,000 (2006: loss attributable to equity shareholders: HK$79,480,000) respectively. Basic earnings per share was HK1.35 cents (2006: basic loss per share: HK19.23 cents).

DIVIDENDS

In view of meeting the Group's future need, the Board has resolved not to declare any payment of final dividend for the financial year ended 31 December 2007 (2006: nil).

Mr. NI Yifeng
Executive Director
and President

BUSINESS REVIEW

The Group's in-orbit satellites and their corresponding telemetry, tracking and control system (TT&C system) have been operating under normal condition during the year. The Group has maintained comparatively high utilisation rates for APSTAR V and APSTAR VI, despite the fierce market competition in the Asia Pacific region including China market.

In late 2007, APT Satellite Company Limited won the "Excellent Operation Enterprise in Chinese Satellite Application Industry" award in the "2007 Excellent Enterprises in Chinese Satellite Application Industry Contest".

APSTAR VI

APSTAR VI commenced commercial operation in June 2005. It contains 38 C band and 12 Ku band transponders. As at 31 December 2007, its utilisation rate was 59%.

APSTAR V

APSTAR V commenced commercial operation in August 2004. It contains 38 C band and 16 Ku band transponders. As at 31 December 2007, its utilisation rate was at 72%.

Both APSTAR V and APSTAR VI are the latest advanced high power satellites in the region providing most advanced satellite


In late June 2007, Mr. Ni Yifeng, President of the Group, participated in the APSAT Conference 2007, Indonesia with the Group being the gold sponsor of the conference. Mr. Ni also visited the Group's clients in Indonesia and Malaysia and conducted client interviews and market research activities.

telecommunication and broadcasting services that are warmly received by our customer thereby strengthening the competitive edge and marketing expansion of our group.

New Satellites in China Market

As a result of the launch of two new satellites in mid 2007, the market competition of the China Market has been more intense. APT obtained new customers and new utilisations by optimising our services on a continuous basis which off-set part of the customer loss. As a whole, such customer loss due to new satellites will not cause adverse impact to the Group.

Satellite TV Broadcasting and Uplink Services

APT Satellite TV Development Limited ("APT TV"), a wholly-owned subsidiary of the Group, successfully established the satellite TV broadcasting platform based on the Satellite TV Uplink and Downlink Licence of Hong Kong. As of 31 December 2007, APT TV uplink and broadcast for the region up to 72 satellite TV channels representing an increase of 6% as compared to the same period of last year.

Satellite-based Telecommunications Services

APT Telecom Services Limited ("APTS"), a wholly-owned subsidiary of the Group, provides satellite-based external telecommunication services such as VSAT (Very Small Aperture Telecommunication), facilities management services, and teleport uplink services under the Fixed Carrier Licence of Hong Kong to telecom operators or users of the region.

BUSINESS PROSPECTS

Because of the increase in new satellite supplies in the region particularly China market, market competition will continue to be fierce. However, it is expected the demand will still grow steadily. The Group will endeavour to secure our foothold in China market and expand overseas market so as to further increase the satellite utilisation and improve the Group's performance.

Finance

As at 31 December 2007, the Group's financial position remains sound with gearing ratio (total liabilities/total assets) is approximately at 37%. The Liquidity Ratio (current assets/current liabilities) is at 1.29 times. The amount attributable to equity shareholders of the Group is HK$1,987,765,000. The Group has cash and cash equivalents amounting HK$312,025,000 and pledged bank deposits of HK$83,749,000.

Corporate Governance

The Group is committed to high standard of corporate governance especially in internal control and compliance. Please refer to the Corporate Governance Report contained in this Annual Report.

NOTE OF APPRECIATION

I would like to thank all our customers and friends for their support, as well as to express my appreciation to all staff of the Group for their contribution to the Group during the period.

By order of the Board
Rui Xiaowu
Chairman

Hong Kong, 8 April 2008

BUSINESS REVIEW

Details of the Business Review are contained in the Chairman's Statement on page 6.

BUSINESS PROSPECTS

Details of the Business Prospects are contained in the Chairman's Statement on page 7.

FINANCIAL REVIEW

The following discussion and analysis of the Group's financial position and results of operations should be read in conjunction with the financial statements and the related notes.

Highlights:

HK$ thousand	**2007**	2006	Change
Turnover	**451,626**	426,988	+24,638
Gross profit	**136,834**	88,729	+48,105
Profit/(Loss) after taxation	**4,716**	(80,616)	+85,332
Profit/(Loss) attributable to shareholders	**5,581**	(79,480)	+85,061
Basic Earnings/(Loss) per share (HK cents)	**1.35 cents**	(19.23 cents)	+20.58 cents
			In percentage
Total assets	**3,135,582**	3,407,562	–8%
Total liabilities	**1,146,891**	1,425,329	–20%
Gearing ratio (%)	**37%**	42%	–5%

The Group, with turnover growth of 6% over the prior year, has recorded a gross profit for the year amounted to HK$136,834,000, a 54% increase as compared to 2006 and profit for the year of HK$4,716,000 (2006: loss for the year HK$80,616,000). It was mainly due to higher income generating from the new customers for the provision of Satellite Transponder Capacity Services during the year. The Group's cost of services recorded a decrease of 7% to HK$314,792,000, mainly due to a reduction of depreciation and premium cost in satellite in-orbit insurance. Administrative expenses decreased by HK$7,061,000, a decrease of 8% in 2007 as compared to 2006. The decrease was mainly due to an impairment loss for trade and other receivables of HK$8,347,000 was provided in prior year. The Group's finance costs decreased from HK$64,140,000 in 2006 to HK$55,345,000 in 2007. The decrease was mainly due to decrease in borrowing amount after repayment of bank loan during the year of 2007.

Income tax recorded a decrease of HK$35,683,000, mainly due to a deferred tax liability recognised as a result of tax settlement of APSTAR IIR in 2006. The details of income tax of the Group are set out in note 6 to the financial statements.

Share of results of jointly controlled entities

The Group maintained its interest in APT Satellite Telecommunications Limited ("APT Telecom") at 55% as at 31 December 2007. As at 31 December 2007, APT Telecom recorded a loss of HK$1,624,000. The Group's share of results of APT Telecom was HK$894,000.

Capital expenditure, liquidity, financial resources and gearing ratio

During the year, the Group's principal use of capital was the capital expenditure related to the satellite equipments and office equipments which had been funded by internally generated cash. The capital expenditure incurred for the year ended 31 December 2007 amounted to HK$10,683,000.

During the year, the Group repaid bank loan of HK$253,013,000 (equivalent to US$32,438,000), the funding for which came from internally generated cash. As at 31 December 2007, the Group complied with all the financial covenants over the past twelve-month period. As a result of the above repayment, total outstanding secured bank borrowings reduced from HK$930,354,000 to HK$680,335,000. The debt maturity profile (stated at amortised cost) of the Group was as follows:

Year of Maturity	HK$
Repayable within 1 year or on demand	217,961,000
Repayable after one year but within five years	462,374,000
	680,335,000

As at 31 December 2007, the Group's total liabilities were HK$1,146,891,000, a decrease of HK$278,438,000 as compared to 2006, which was mainly due to partly repayment of bank loan as described above. As a result, the gearing ratio (total liabilities/total assets) has decreased to 37%, representing a 5% decrease as compared to 2006.

As at 31 December 2007, the Group has approximately HK$312,025,000 (2006: HK$341,325,000) cash and cash equivalents and HK$83,749,000 (2006: HK$89,190,000) pledged deposits. Together with cash flow generated from operations, the Group could meet with ease all the debt repayment schedules in the coming year.

Capital structure

The Group continues to maintain a prudent treasury policy and manage currency and interest risks on a conservative basis. During the year, the Group made no hedging arrangement in respect of exchange rate fluctuation as majority of its business transactions was settled in the United States dollars. Interest under Bank Loan was computed at the London Inter-Bank Offering Rate plus a margin. The Group would consider the fluctuation risk of the floating interest rate and would take appropriate measure in due course to hedge against interest rate fluctuation.

Charges on group assets

As at 31 December 2007, the assets of APSTAR V and APSTAR VI of HK$2,317,238,000 (2006: HK$2,506,454,000) and bank deposit of HK$83,749,000 (2006: HK$89,190,000) were pledged to secure a bank loan facility. The bank loan facility is also secured by the assignment of APSTAR V and APSTAR VI and their related insurance claims proceeds, and the assignment of all their present and future agreements of provision of transponder utilisation services.

In addition, certain of the Group's banking facilities were secured by the Group's properties with aggregate carrying value of approximately HK$4,538,000 (2006: HK$4,655,000).

Capital commitments

As at 31 December 2007, the Group has the outstanding capital commitments of HK$3,398,000 (2006: HK$4,852,000), which was contracted but not provided for in the Group's financial statements, mainly in respect of the purchases of equipment.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 29 to the financial statements.

HUMAN RESOURCES

As at 31 December 2007, the Group had 147 employees (2006: 161). With regard to the emolument policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. On 19 June 2001, the Company first granted share options under the share option scheme adopted at the annual general meeting on 22 May 2001 ("Scheme 2001") to its employees including executive directors. On 22 May 2002, the Group adopted a new share option scheme ("Scheme 2002") at the annual general meeting to comply with the requirements of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). To further motivate employees for better contribution to the Group, the Group has also established an incentive bonus scheme.

The Group provides on the job training to employees to update and upgrade their knowledge on related job fields.

Pursuant to Appendix 23 of the rules ("Listing Rules") governing the listing of securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the board of directors ("Board") of APT Satellite Holdings Limited ("Company") presents this Corporate Governance Report for the accounting period covered by this annual report.

CORPORATE GOVERNANCE PRACTICES

The Board remains committed in maintaining high standard of corporate governance throughout the Company and its subsidiaries (altogether "Group").

Throughout the year ended 31 December 2007, albeit few exceptions as explained below paragraph the Board upholds the compliance of the code provisions ("Code Provision") as well as some Recommended Best Practices ("Best Practices") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

To comply with the Code Provision and some Best Practices and to ensure the standard of corporate governance, the Board has set up the Audit Committee, the Nomination Committee and the Remuneration Committee having respective Terms of Reference.

At the management level, to further strengthen the management and control of the risks and compliance matters, the Company has also established the Internal Control and Risk Management Committee and an internal audit team reporting directly with the Audit Committee on its findings and recommendations.

Furthermore, to promote honest and ethical business conduct throughout the Group, the Board has also adopted a series of codes and measures, including the Code of Ethics for the directors and officers of the Company; the Model Code for Securities Transactions by directors set out in Appendix 10 of the Listing Rules; the Code of Ethics for all employees; the Audit Committee's Procedures handling Confidential and Anonymous Complaint; and the Whistleblower Protection Policy.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year of 2007, the Company has met the Code Provisions save for the following Code Provisions:

A4.1 – the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-Laws of the Company; and

A4.2 – the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company in maintaining its consistency of making business decisions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors securities transactions on terms no less exacting than the required standard set out in the Model Code ("Model Code") contained in the Appendix 10 of the Listing Rules.

Having made specific enquiry of all directors, the Company's directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors securities transactions throughout the accounting period covered by this annual report of the Company.

For details of the Directors interests in shares of the Company, please refer to the section headed "Directors' and Chief Executives' Interests in Shares" in the "Directors' Report" of this annual report.

BOARD OF DIRECTORS

Composition of the Board

The Board is responsible for determining the overall strategy; reviewing and approving the work plan of the Group; and overseeing the corporate governance of the Group. While the management of the Company is responsible for proposing and implementing the work plan of the Group, executing the day-to-day operation of the Group and undertaking any further responsibility as delegated by the Board from time to time.

The Board comprises of two executive directors, six non-executive directors and four independent non-executive directors ("INEDs"). Biographical details of them, including the relationships, if any, among members of the Board, is set out in the section headed "Directors' and Senior Management's Profiles" of this annual report.

In respect of the Listing Rules requirements regarding sufficient number of INEDs and one INED with appropriate qualifications, the Company has met these requirements. The Company has received from each of the INEDs an annual confirmation as regards independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Board having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

Composition of the Board (Continued)

The Board held four meetings in 2007 and the following table shows the individual attendance of each director in 2007:

Name of the director	Number of board meeting held during the director's term of office in 2007	Number of meeting(s) attended*
Executive Directors:		
Ni Yifeng *(President)*	4	4
Tong Xudong *(Vice President)*	4	4
Non-Executive Directors:		
Rui Xiaowu *(Chairman)*	4	4
Lim Toon	4	4
Yin Yen-liang	4	1
Wu Zhen Mu	4	3
Zhao Liqiang	4	1
Yong Foo Chong	4	4
Ho Siaw Hong (resigned on 8 March 2007)	N/A	N/A
Independent Non-Executive Directors:		
Huan Guocang	4	2
Lui King Man	4	4
Lam Sek Kong (appointed on 1 July 2007)	2	1
Cui Liguo (appointed on 1 July 2007)	2	2
Yuen Pak Yiu, Philip (resigned on 1 July 2007)	2	2

* It includes the meeting attended by the director via telephone conference and/or attended by the director's alternate director.

N/A means Not Applicable

Chairman and Chief Executive Officer

Mr. Rui Xiaowu is the Chairman of the Board and is a non-executive director of the Board, while Mr. Ni Yifeng is the President of the Company and is an executive director of the Board.

The roles of the Chairman and the President are segregated. The Chairman's main role is to lead the Board in discharging its powers and duties, while the President's main role is to lead the management of the Company for undertaking all the responsibilities delegated by the Board and managing the overall operation of the Group.

Appointment of Non-executive directors

The non-executive directors of the Company are not appointed for a specific term but shall retire from office by rotation once every three years (as referred to the Bye-Law 87 of the Company where provides that at each annual general meeting one-third of the directors of the Company shall retire from office by rotation).

Furthermore, to maintain the consistency of making business decisions of the Company, the Chairman (a non-executive director) shall not be subject to retirement by rotation, whilst holding such office, as provided in the Bye-Law 87 of the Company.

Nevertheless, all the appointment and re-appointment of directors of the Board are subject to be reviewed by the Company's Nomination Committee, while all the directors remuneration is subject to be reviewed by the Company's Remuneration Committee. The Board believes that these checks and balances, among other things, are well in place ensuring good corporate governance of the Company. The Board as a whole will continue to oversee every aspect of the Company's corporate governance and endeavors maintaining high standard corporate governance throughout the Group.

Remuneration of directors

The Remuneration Committee comprises of five members, including four independent non-executive directors of the Company, namely Dr. Lui King Man (Chairman), Dr. Huan Guocang, Dr. Lam Sek Kong and Mr. Cui Liguo, and one executive director, Mr. Tong Xudong.

The Remuneration Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference (also known as Charter) and it is mainly responsible for making recommendations to the Board on policy for all remuneration of Directors and senior management taking into account of certain determining factors, including the Company's operation objective and development plan; the managerial organization structure; the financial budget of the Company; the performance and expectation of the relevant person; and the supply and demand situation of the human resources market.

For details of its Terms of Reference, please refer to the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request with the Company's Investor Relations.

Remuneration of directors (Continued)

The Remuneration Committee held two meetings in 2007 and the following table shows the individual attendance of each member in 2007:

Name of the member of the Remuneration Committee	Number of meeting held during the member's term of office in 2007	Number of meeting(s) attended
Independent Non-Executive Directors:		
Lui King Man *(Chairman)*	2	2
Huan Guocang	2	0
Lam Sek Kong (appointed on 1 July 2007)	1	1
Cui Liguo (appointed on 1 July 2007)	1	1
Yuen Pak Yiu, Philip (resigned on 1 July 2007)	1	1
Executive Director:		
Tong Xudong	2	2

The works performed by the Remuneration Committee in 2007 are summarised as follows:

– reviewing the director's fees payable to Directors in 2007;

– reviewing the proposal on adjustment of top management's emolument for 2007; and

– reviewing the results of incentive scheme 2006 for the management.

Nomination of directors

The Nomination Committee comprises of five members, including four independent non-executive directors of the Company, namely Dr. Huan Guocang (Chairman), Dr. Lui King Man, Dr. Lam Sek Kong and Mr. Cui Liguo and one executive director, Mr. Tong Xudong.

The Nomination Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference (also known as Charter) and it is mainly responsible for making recommendations to the Board on matters relating to the appointment or re-appointments of Directors and succession planning for Directors in particular the Chairman and the President in accordance with its adopted nomination procedure and process and criteria. On receiving nominated candidate of director, the Nomination Committee will review and approve assessment against the candidate before giving recommendation to the Board. The criteria of assessment includes the qualification and experience of the candidate; the development need of the Company; the expected candidate's contribution to the Company's performance; the mutual expectations between the candidate and the Company; compliance with relevant rules and requirements; and the candidate's capability of making independent decision in the Board.

For details of its Terms of Reference, please refer to the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request with the Company's Investor Relations.

Nomination of directors (Continued)

The Nomination Committee held one meeting in 2007 and the following table shows the individual attendance of each member in 2007:

Name of the member of the Nomination Committee	Number of meeting held during the member's term of office in 2007	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Huan Guocang *(Chairman)*	1	0
Lui King Man	1	1
Lam Sek Kong (appointed on 1 July 2007)	N/A	N/A
Cui Liguo (appointed on 1 July 2007)	N/A	N/A
Yuen Pak Yiu, Philip (resigned on 1 July 2007)	1	1
Executive Director:		
Tong Xudong	1	1

* It includes the meeting attended by the member via telephone conference.

N/A means Not Applicable

The works performed by the Nomination Committee in 2007 are summarised as follows:

– making recommendation to the Board on matters relating to the appointment of directors;

– reviewing the re-election of directors in accordance with the Bye-Laws of the Company; and

– reviewing the independence of the INEDs.

Auditors Remuneration

The following information indicates the fees paid and the nature of the audit and non-audit services provided by the Company's auditors, KPMG, to the Group during 2007:

	HK$
Audit for the Group's financial statements including interim review	1,150,000
Non-audit services:	
– Review of the Group's continuing connected transactions	10,000
Audit for the financial statements of the following companies:	
– APT Satellite International Company Limited[1]	34,000
– APT Satellite Telecommunications Limited[2]	36,000
Total	1,230,000

1 It is the Company's substantial shareholder, holding 51.83% of the issued share capital of the Company.

2 It is a jointly controlled entity between a wholly owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited.

Audit Committee

The Audit Committee comprises of four independent non-executive directors of the Company, including Dr. Lui King Man (Chairman), Dr. Huan Guocang, Dr. Lam Sek Kong and Mr. Cui Liguo.

The Audit Committee is established by the Board and shall be accountable to the Board. Its members shall be appointed by the Board from amongst the non-executive directors of the Company who are independent of the management of the Company and are free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment. Its duties are clearly set out in its written Terms of Reference (also known as Charter). For details, please refer to its Terms of Reference, which is contained in the Company's website (www.apstar.com) under the section headed "Corporate Governance", and is also available on request with the Company's Investor Relations.

Audit Committee (Continued)

The Audit Committee held four meetings in 2007 and the following table shows the individual attendance of each member in 2007:

Name of the member of the Audit Committee	Number of meeting held during the member's term of office in 2007	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Lui King Man *(Chairman)*	4	4
Huan Guocang	4	2
Lam Sek Kong (appointed on 1 July 2007	3	3
Cui Liguo (appointed on 1 July 2007)	3	3
Yuen Pak Yiu, Philip (resigned on 1 July 2007)	1	1

* It includes the meeting attended by the member via telephone conference.

The works performed by the Audit Committee in 2007 are summarised as follows:

– making recommendation to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor in respect of audit and non-audit services;

– reviewing the external auditors independence and objectivity and the effectiveness of the audit process through discussion with the external auditors as to the nature and scope of the audit and reporting obligation;

– monitoring integrity of and review significant financial reporting judgments of the half-year and annual financial statements of the Company;

– reviewing the Company's statement on financial controls, internal control system and risk management systems; and

– reviewing the internal audit team's work progress.

Accountability and Audit

Financial Reporting

The management reports to the Board the Group's financial situations on a regular basis, and this reporting regime extends to the annual and interim results announcement of the Company, thereby enabling the Board from time to time has a continued, balanced, clear and understandable assessment of the Group's situations for determining strategy and fulfilling relevant compliance requirements.

The Board acknowledges that it is the Board's responsibility for preparing the accounts of the Company. As at 31 December 2007, the directors of the Board do not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Accountability and Audit (Continued)

For the responsibilities of the Company's auditors in respect of preparing the Company's financial statements, please refer to the section headed "Independent Auditor's Report" of this annual report.

Internal Controls

It is the Board's responsibility to ensure the Company maintains sound and effective internal controls, whereby safeguarding its shareholders' investment and the Company's assets.

The Group aims at establishing and maintaining its internal control system based on the internal control framework as prescribed by Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In 2007, annual review of the effectiveness of the system of internal control of the Company and its subsidiaries was conducted by the Internal Audit Team and the Board through the Company's Internal Control and Risk Management Committee, which is led by the top management of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions; and the results of the review has been reviewed by the Company's Audit Committee.

There was no significant incidence of control failings in respect of financial reporting, operation and compliance that has been identified or reported during the year ended 31 December 2007. The top management, the Internal Control and Risk Management Committee and the Internal Audit team will continue to monitor and review regularly the effectiveness of the internal control system of the Company and from time to time take action whenever there is any weakness in the process.

Significant differences in corporate governance between Hong Kong and U.S. practices

The Company is also listed on the New York Stock Exchange, Inc. ("NYSE") as a foreign issuer, pursuant to NYSE's requirement, a discussion on the significant differences in corporate governance being practiced by the Company in Hong Kong as compared with those practices applicable to U.S. domestic issuers listed on the NYSE is contained in the Company's website (www.apstar.com) under the section headed "Corporate Governance".

By order of the Board
Rui Xiaowu
Chairman

Hong Kong, 8 April 2008

EXECUTIVE DIRECTORS

Mr. NI Yifeng, aged 60, was appointed as the Executive Director and President of the Company in July 2005. He is responsible for the overall management of the Company. He is also the Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, Acme Star Investment Limited, APT Satellite Telewell Limited, APT Satellite Vision Limited, APT Satellite TV Development Limited, Skywork Corporation, APT Telecom Services Limited, Ying Fai Realty (China) Limited, APT Satellite Global Company Limited, APT Satellite Enterprise Limited and APT Satellite Link Limited, Middle East Ventures Limited, subsidiaries of the Company. He is also the Chairman of the board of directors of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company. Mr. Ni is also the Director of APT International. Mr. Ni graduated from the Research Institute of Chinese Academy of Social Science and obtained a MBA degree from the Chinese University of Hong Kong and accredited as Senior Accountant in China. He is currently Vice President of China Satellite Communications Corporation, which is the holding company of one of the shareholders of APT International, the substantial shareholder of the Company. He also is the Chairman of a listed company in Shanghai, China, namely Chinasatcom Guomai Communications Co. Ltd.. He held the posts of Deputy Director of Planning Department, Deputy Director of Finance Department, and Deputy Director General of Directorate-General of Telecommunications of Ministry of Post and Telecommunications (then known as Ministry of Information Industry). He was also President and Vice Chairman of Guoxin Paging Company Limited and Deputy General Manager of China Telecommunications Broadcast Satellite Corporation, which is one of the shareholders of APT International. Mr. Ni has over 30 years' experience in post and telecommunication fields and abundant experience in corporate management.

Mr. TONG Xudong, aged 44, was appointed as the Executive Director and Vice President of the Company in March and April 2004, respectively. Mr. Tong is also the member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Tong is also the Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, APT Satellite Vision Limited, APT Satellite TV Development Limited, APT Satellite Global Company Limited, APT Satellite Enterprise Limited, APT Satellite Link Limited, Middle East Ventures Limited, APT Communication Technology Development (Shenzhen) Company Limited and CTIA Vsat Network Limited, subsidiaries of the Company. He is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Tong graduated from Nanjing Aeronautic Institute in 1985 and obtained a master degree from Beijing Institute of Space Mechanics and Electricity, Chinese Academy of Space Technology in 1988. Immediately after his graduation, he served for the Beijing Institute of Space Mechanics and Electricity. In 1993, he further pursued his studies in Samara University of Aeronautics and Astronautics, Russia. From May 1995 to June 2000, he served as the Vice-Director of Beijing Institute of Space Mechanics and Electricity and was appointed as professor in 1998. From June 2000 to December 2003, he was the Director of the same Institute. In 2003, he was appointed as the Vice-President of Chinese Academy of Space Technology. Mr. Tong is a standing committee member of Chinese Society of Space Research and Chairman of the Committee of Recovery and Reentry, Chinese Society of Astronautics.

NON-EXECUTIVE DIRECTORS

Mr. RUI Xiaowu, aged 49, was appointed as the Non-Executive Director and Chairman of the Company in December 2006. Mr. Rui is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. He is also the Chairman of the board of directors of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company. Mr. Rui is a Master's Postgraduate. He was accredited as a Research Fellow in 1999 and was awarded by the State Council of China as the Winner of "Government Special Allowance" in 1996. Currently, Mr. Rui is the General Manager of China Satellite Communications Corporation, the holding company of one of the shareholders of APT International, the substantial shareholder of the Company. In 1982 Mr. Rui graduated from the Science & Technology University for National Defense of China in Computer Software Major and had been studying Master's Degree in Computer Aided Engineering at the 710 Research Institute of the former Ministry of Aerospace Industry of China during the period from 1982 to 1985, and participated works at the 710 Research Institute in the same year. Thereafter, he had been the Engineer, Division Director of the Business Marketing Division, Vice President, President of the 710 Research Institute; he had been the Business Assistant to General Manager and Director General of the Business Planning & Marketing Department, Business Assistant to General Manager and Director General of the Marketing Department of China Aerospace Science & Technology Corporation since 2000; he had also been appointed as the Vice Chairman of Sino Satellite Communications Company Limited since 2001; he had been appointed as the Assistant to General Manager of China Aerospace Science & Technology Corporation since 2002; he had also been appointed as the Chairman of China Spacesat Company Limited (a corporation listed on the Shanghai Securities Exchange in China) during the period from 2002 to 2005; he had been appointed as the Chairman & President and Chairman of China Aerospace International Holdings Limited and CASIL Telecommunications Holdings Limited, respectively (both of them are corporations listed on the Stock Exchange of Hong Kong) during the period from 2002 to 2006; and he had been appointed as the Deputy General Manager of China Aerospace Science & Technology Corporation during the period from 2005 to 2006.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. LIM Toon, aged 65, has been a Director of APT Satellite Company Limited since February 1993 and was appointed as the Non-Executive Director of the Company in October 1996. Mr. Lim is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. He is also the Director of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Lim is also the Director of APT Satellite International Company Limited. In 1966, Mr. Lim graduated from the University of Canterbury in New Zealand, with a first class honours degree in Engineering. In 1975, Mr. Lim obtained a Postgraduate Diploma in Business Administration from the University of Singapore. He attended the Advanced Management Programme at Harvard Business School in 1992. He has been the Chief Operating Officer of SingTel, the holding company of one of the shareholders of APT Satellite International Company Limited, since April 1999 and has worked for Singapore Telecom since 1970, serving in various appointments of engineering, radio services, traffic operations, personnel & training and information systems departments. He was appointed Executive Vice President of Network Services in April 1989 and Executive Vice President of International Services in April 1994. He was awarded the Efficiency Medal in 1978 and the Public Administration Medal (Gold) in 1991 by the Singapore government. He is presently a Director of a number of overseas companies. Mr. Lim has retired from SingTel on 26 February 2006.

Dr. YIN Yen-liang, aged 57, was appointed as the Non-Executive Director of the Company in January 2003. Dr. Yin is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Dr. Yin is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company. Dr. Yin graduated with an MBA Degree from National Taiwan University in 1983 and received the PhD Degree in Business Administration from National Chengchi University in 1987. He has been President of the Ruentex Group, the holding company of one of the shareholders of APT Satellite International Company Limited, since 1994 and concurrently holding the position of Executive Director of SinoPac Holdings Co., Ltd., Executive Director of Bank SinoPac, Director of Acer Incorporate, Chairman of Aetna SinoPac Credit Card Company Limited.

Mr. WU Zhen Mu, aged 62, was appointed as the Non-Executive Director of the Company in June 1998. Mr. Wu is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Mr. Wu is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Wu graduated in Manufacturing Engineering of the Beijing Institute of Aeronautics in 1969 and obtained a Master's degree in Electro-Mechanical Automation in the same institute in 1981. He was a lecturer in Zhengzhou Institute of Aeronautics from 1970 and 1979 and had been a lecturer, associate Professor and Professor in Beijing University of Aeronautics and Aerospace from 1982 to 1993. Since then, he has been appointed as a Professor of the Commission of Science and Technology of China Aerospace Corporation.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. ZHAO Liqiang, aged 47, was appointed as the Non-Executive Director of the Company in December 2006. Mr. Zhao is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company, and APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company. Mr. Zhao is a Research Fellow and currently is an Executive Director and President of China Aerospace International Holdings Limited, a corporation listed on the Stock Exchange of Hong Kong and such a corporation is the holding company of one of the shareholders of APT International, the substantial shareholder of the Company. Mr. Zhao graduated from Beijing Aviation College in 1984, and from China Academy of Launch Vehicle Technology ("CALT") in 1987 with a master degree in Meter & Testing of Aerospace Vehicles. Mr. Zhao joined the 704 Research Institute of CALT and since 1987 held such posts there as Deputy Team Head of the Second Office, Deputy Officer of Research Centre of Tracking & Navigating Equipment, Vice President, President, President and Assistant to Chairman, and Vice Chairman; the General Manager of Beijing Satellite Technology & Navigation Limited; the Deputy General Manager of China Aerospace Times Electronics Corporation; as well as the Director & President of Long March Launch Vehicle Technology Company Limited (a corporation listed on the Shanghai Securities Exchange in China) during the period from 1999 to 2004.

Mr. YONG Foo Chong, aged 41, was appointed as the Non-Executive Director of the Company on 8 March 2007. Mr. Yong is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. He is also the Director of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly owned subsidiary of the Company and a shareholder of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company. Mr. Yong is also the Director of APT International. Mr. Yong holds an Honours Degree in Electrical & Electronic Engineering from the National University of Singapore, specializing in communication technology. Mr. Yong has worked for Singapore Telecommunications Limited ("SingTel"), the holding company of one of the shareholders of APT International which is the substantial shareholder of the Company, since 1998, serving in various appointments. Currently, Mr. Yong is the Head of Satellite for SingTel overseeing the fixed and mobile satellite business and infrastructure and also the director of Singasat Private Limited, a wholly owned subsidiary of SingTel, which is one of the shareholders of APT International. Prior to the current appointment in 2006, he was the Senior Director of Corporate Business Marketing and was responsible for the global marketing of B2B solutions. Mr. Yong had a 2-year stint as the Director of SingTel's Optus Business Marketing and Product Management based out of Sydney, Australia, whose responsibility was to revamp the entire marketing and product strategy, which included steering the B2B business towards new strategic directions such as IP convergence and SME solutions investment. He was also responsible for strategic bid management which secured many key government and Australian MNC contracts. In 2001, Mr. Yong also helped the Corporate Business Group implement various strategic initiatives such as building a pan-Asian network of managed hosting data centers and was later appointed as Chief Operation Officer of the managed hosting business unit of SingTel. Before joining SingTel, Mr. Yong spent more than seven years in the ICT industry and held specialist and management positions in leading MNCs gaining significant successes and experiences in the area of Telecom Network Management. Apart from holding the current appointment with SingTel, Mr. Yong is also a board member of Asia Pacific Satellite Communications Council starting January 2007.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. TSENG Ta-mon, aged 50, was appointed as an Alternate Director to Dr. Yin Yen-liang, the Non-Executive Director of the Company, in September 2004. He had been the Non-Executive Director of the Company from July 2003 to September 2004. Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, the director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, the director of APT Satellite International Company Limited, a substantial shareholder of the Company. Mr. Tseng graduated with an LL.B. Degree from National Chengchi University in 1980 and subsequently received the LL.M. Degree from University College London in 1982 and the LL.B. Degree from B.A. at University of Cambridge in 1984 respectively. He also graduated from the Inns of Court School of Law of Middle Temple in 1985 and became Barrister-at-Law in the same year. He was the Specialist of the Board of International Trade from 1985 to 1987. He was also the Partner of Dong & Lee from 1987 to 1992. He has been the Counsel of the Ruentex Group, the holding company of one of the shareholders of APT Satellite International Company Limited, since 1992.

Mr. HO Siaw Hong, aged 59, was appointed as the Non-Executive Director of the Company in March 2006. He had been an Alternate Director to Mr. Wong Hung Khim and Mr. Lim Toon, the non-executive director of the Company, from October 1996 to July 1999. Mr. Ho joined Singapore Telecommunications Limited ("SingTel"), the holding company of one of the shareholders of APT International, the substantial shareholder of the Company, in August 1972 after graduating from the then University of Singapore, now known as the National University of Singapore, with a Bachelor of Engineering (Electrical) degree. He has held managerial positions in areas including planning and operations of transmission network, radio network, mobile network, telephone exchange equipment, switch software management, etc. Mr. Ho is currently the Vice President for Fixed Networks Engineering of SingTel and SingTel Optus Pty Limited ("Optus") responsible for the engineering and planning of the fixed core networks for both SingTel and Optus. Before this appointment, he was seconded to SingTel's Joint Venture company in Indonesia, PT Bukaka SingTel International ("BSI") as its President Director from February 1999 to January 2001. He continued to oversee the operations of BSI upon his return from Indonesia while concurrently holding the post of Vice President for Network Support in the Networks directorate. He was also Assistant Vice President for Satellite Services of SingTel between 1997 and 1999. Mr. Ho is also a board member of the BSI's Board of Commissioner. Mr. Ho resigned as the Non-Executive Director of the Company on 8 March 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. HUAN Guocang, aged 58, was appointed as an Independent Non-executive Director of the Company in August 2002. Dr. Huan is the member of the Audit Committee and the Remuneration Committee of the Company. Dr. Huan was also re-designated from acting as the member of the Nomination Committee of the Company to act as the Chairman of it on 1 July 2007. He is the Managing Partner of Primus Pacific Partners Limited ("Primus"). Before joining Primus, he was the Head of Investment Banking, Asia Pacific of The Hongkong and Shanghai Banking Corporation Limited and was the Managing Director and Co-Head of Investment Banking, Asia Pacific of Salomon Smith Barney. Dr. Huan has been joining investment banking sector since 1987 and has held senior positions at the Brookings Institution, the Atlantic Council of the U.S., J.P. Morgan & Co., BZW Asia Limited, and Columbia University. Dr. Huan holds a Ph.D. degree from Princeton University, Master of Arts from Columbia University and Master of Arts from the University of Denver.

Dr. LUI King Man, aged 53, was appointed as an Independent Non-Executive Director of the Company in August 2004. Dr. Lui is the Chairman of the Remuneration Committee of the Company and also is the member of the Nomination Committee of the Company. Dr. Lui was also re-designated from acting as the member of the Audit Committee of the Company to act as the Chairman of it on 1 July 2007. Dr. Lui has been a practising Certified Public Accountant in Hong Kong since 1989, and established his accounting firm K.M. LUI & CO in the same year. Before commencing his own practising, Dr. Lui had worked with an international accounting firm and a listed commercial bank. Dr. Lui received the accountancy education in United Kingdom in 1980 and attained professional accountant qualification in 1985. He is a Fellow of The Chartered Association Of Certified Accountants and Associate member of The Hong Kong Institute Of Certified Public Accountants. Dr. Lui obtained an MBA Degree from Heriot-Watt University in 1997 and received a Doctoral Degree in Business Administration from The University of Hull in 2004. Dr. Lui has over 27 years experience in accounting, finance, business acquisition and auditing fields. He has been a consultant of a number of commercial and non-commercial organizations.

Dr. LAM Sek Kong, aged 48, was appointed as the Independent Non-Executive Director of the Company on 1 July 2007. Dr. Lam is also the Member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Dr. Lam graduated from the University of Hong Kong in 1984. He is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as advocate and solicitor of the High Court of Singapore, barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam holds a bachelor degree and a master degree in laws from the University of Hong Kong, a master degree in laws from the University of Peking and a Ph.D. degree in laws from the Tsinghua University.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. CUI Liguo, aged 38, was appointed as the Independent Non-Executive Director of the Company on 1 July 2007. Mr. Cui is also the Member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Cui graduated from the faculty of economic law of the China University of Political Science and Law in 1991, and commenced his legal practice in PRC in 1993. He founded the Guantao Law Firm in 1994, and is acting a Founding Partner and the officer of its Management Committee. Mr. Cui has over 14 years of experience in legal sector, and holds independent directorships in the board of directors of several companies, such as UBS SDIC Fund Management Co., Ltd., China Spacesat Technology Co., Ltd and SDIC Xinji Energy Co., Ltd (corporations listed on the Shanghai Securities Exchange in China), SUFA Technology Industry Co. Ltd, CNNC (a corporation listed on the Shenzhen Securities Exchange in China). He is also a member of the Finance & Securities Committee of All China Lawyers Association; a director of Capital Market and the Securities Committee of Beijing Bar Association; an executive director and vice general secretary of the Chamber of Financial Street; and the legal counselor in internal control group of security issuing of Guodu Securities Limited and Bohai Securities Co., Ltd.

Mr. YUEN Pak Yiu, Philip, aged 72, was appointed as an Independent Non-executive Director of the Company in October 1996. Mr. Yuen had been the Chairman of the Audit Committee and the Nomination Committee of the Company and had also been the member of the Remuneration Committee of the Company. He graduated from Law School in England in 1961 and commenced the practice of law in Hong Kong in 1962. In 1965, he established his solicitors' firm, Yung, Yu, Yuen & Co., and now is the principal partner in the firm. Mr. Yuen has over 30 years' experience in the legal field and has been a Director of a number of listed companies including Henderson Investment Limited, Hopson Development Holdings Limited and Melbourne Enterprises Limited. He is a member of the China Appointed Attesting Officers Association in Hong Kong, a Member of the National Committee of Chinese Peoples' Political Consultative Conference and an Arbitrator at the China International Economic & Trade Arbitration Commission. Mr. Yuen resigned as the Independent Non-executive Director of the Company, the Chairman of each of the Audit Committee and Nomination Committee and the member of the Remuneration Committee of the Company on 1 July 2007.

Details of directorships of the Directors of the Company in the company which has an interest in the share capital of the Company as disclosed pursuant to the provisions of the Securities and Futures Ordinance are set out in the Directors' Report.

SENIOR MANAGEMENT

Mr. DONG Gang, aged 54, has been the Vice President of the Company since July 2005. He is also the Director of Acme Star Investment Limited, APT Satellite Telewell Limited, Skywork Corporation, Haslett Investments Limited, APT Telecom Services Limited and APT Communication Technology Development (Shenzhen) Company Limited ("APT Shenzhen"), subsidiaries of the Company. He is also the chairman and the general manager of APT Shenzhen. He is also the Director of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Dong graduated with a Bachelor's degree in Beijing Post and Telecommunications Institute (presently known as Beijing University of Post and Telecommunications). He is accredited as Senior Engineer. He held the posts as Deputy Director of Microwave Station, Deputy Director of Technical Department, Vice Chief Engineer, and Chief Engineer of Beijing Wireless communication Bureau. He has been appointed as Vice President of China Space Mobile Satellite Telecommunications Company Limited since May 1995. He has plentiful experience in telecommunication operation and management.

Dr. LO Kin Hang, Brian, aged 51, has been the Vice President of the Group since April 2002 and Company Secretary (since October 1996) of the Company. Dr. Lo joined the Company in September 1996 and had been the Assistant to the President from December 1997 to April 2002. Dr. Lo is also the Director of Acme Star Investment Limited, APT Satellite Telewell Limited and Ying Fai Realty (China) Limited, subsidiaries of the Company. He is also the Chief Executive Officer of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company. He graduated with an Associateship in Production and Industrial Engineering and an M.Sc. Degree in Information Technology from Hong Kong Polytechnic University, and a MBA Degree from the University of Wales, UK and a Doctorate Degree in Business Administration in University of Hull, UK. He has attained several professional qualifications including Chartered Engineer, Member of the Institute of Electrical Engineers and is a Fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom and a Fellow of the Hong Kong Institute of Company Secretaries. Prior to joining the Group, he was a Director and senior management executive responsible for financial and investment management and the company secretary of a publicly listed company in Hong Kong. Dr. Lo has about 18 years of experience in corporate and project management.

SENIOR MANAGEMENT (Continued)

Mr. CHEN Xun, aged 37, has been appointed as the Vice President since 1 June 2007 and had been the Assistant President of the Company since July 2004. He joined the Company in 2000 and had worked as the Director of Engineering and Technical Operations Department and the Deputy Chief Engineer of the Group. Mr. Chen graduated from the Department of Computer and Telecommunications of Chongqing Institute of Post & Telecommunications and holds a MBA degree from the University of South Australia. He had been working for China Telecommunications Broadcast Satellite Corporation, one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company, from 1992 to 1999 before joining the Group.

Mr. YANG Qing, aged 44, has been appointed as the Vice President since 1 June 2007 and had been the Assistant President of the Company since July 2004. He joined the Company in 2000. He had worked as the Deputy Director of the Engineering and Technical Operations Department of the Group. Mr. Yang graduated from the Department of Flight Vehicle Engineering of Beijing Institute of Technology in June 1985. During the period from July 1985 to December 1999, he had been working for CALT (China Academy of Launch Vehicle Technology) and was designated as Senior Engineer and the Deputy Director of systems designer of LM-2C launch vehicle by CALT before joining the Group.

The directors ("Directors") of the Company present their report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the ("Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other service.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 11 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year ended 31 December 2007 are set out in the consolidated income statement on page 42 and the accompanying notes to the financial statements.

The Directors do not recommend any payment of final dividend for the year ended 31 December 2007.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 111.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2007 are set out in note 12 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2007 are set out in note 15 to the financial statements.

JOINTLY CONTROLLED ENTITIES

Details of the Group's interest in jointly controlled entities are set out in note 16 to the financial statements.

SHARE CAPITAL

During the year, no share was issued.

Details of movement of the share capital are set out in note 24 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

RESERVES

Details of movements during the year in the reserves of the Group and of the Company are set out in the consolidated statement of changes in equity and the statement of changes in equity on page 46 and 47 respectively.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in note 26 to the financial statements.

BORROWINGS

Details of the Group's bank borrowings are set out in note 20 to the financial statements.

FIXED CHARGE

Details of the Group's fixed charge are set out in note 28 to the financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive directors
Ni Yifeng *(President)*
Tong Xudong *(Vice President)*

Non-executive directors
Rui Xiaowu *(Chairman)*
Lim Toon
Yin Yen-liang
Wu Zhen Mu
Zhao Liqiang
Yong Foo Chong (appointed as non-executive director on 8 March 2007)
Tseng Ta-mon *(alternate director to Yin Yen-liang)*
Ho Siaw Hong (resigned as non-executive director on 8 March 2007)

DIRECTORS (Continued)

Independent non-executive directors

Huan Guocang	
Lui King Man	
Lam Sek Kong	(appointed as independent non-executive director on 1 July 2007)
Cui Liguo	(appointed as independent non-executive director on 1 July 2007)
Yuen Pak Yiu, Philip	(resigned as independent non-executive director on 1 July 2007)

In accordance with Bye-law 86(2) and Bye-law 87 of the Company's Bye-Laws, Messrs. Lam Sek Kong and Cui Liguo will retire; and Messrs. Tong Xudong, Huan Guocang and Lui King Man will retire by rotation, at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The remaining Directors of the Company continue in office.

DIRECTOR'S SERVICE CONTRACT

No service contract was entered into between the Director and the Company or any of its subsidiaries that is exempt under rule 13.69 of the rules governing the listing of securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Save as disclosed below, no Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation):

– Mr. Tong Xudong (Executive Director and Vice President) entered into a service contract with the Company for an initial term of three years, commencing on 20 April 2004, and continuing thereafter until terminated by either party giving to the other not less than six months' notice but not more than one year or to pay compensation or make other payments equivalent to more than one year's emoluments (other than statutory compensation).

DIRECTORS' EMOLUMENTS

The emoluments of the Directors on a named basis are set out in note 7 to the financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-Executive Directors an annual confirmation as regards independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Directors having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2007, the interests of each Director and the chief executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

Name of Director and chief executive	Nature of interests	Number of shares held	Numbers of share options[1]
Lo Kin Hang, Brian *(Vice President and Company Secretary)*	Personal	5,000	800,000
Chen Xun[2] *(Vice President)*	Personal	6,000[3]	260,000
Yang Qing[2] *(Vice President)*	Personal	–	130,000

(1) The share options were granted on 19 June 2001 under the share option scheme adopted at the annual general meeting of the Company held on 22 May 2001 and all the above share options have an exercise price of HK$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011.

(2) Chen Xun and Yang Qing were appointed as Vice President on 1 June 2007.

(3) The capacity in which Chen Xun held 6,000 shares of the Company was being a trustee.

Save as disclosed above, as at 31 December 2007, none of the Directors or the chief executives of the Company had or was interested, or were deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies respectively.

SHARE OPTION SCHEMES

Owing to the enforcement of the new requirements of the Listing Rules in September 2001, the Company adopted a new share option scheme (the "Scheme 2002") at its annual general meeting on 22 May 2002, whereupon the Board of Directors of the Company shall only grant new options under the Scheme 2002.

During the year, no options were granted under the Scheme 2002, which will expire on 21 May 2012.

On 19 June 2001, the Company had granted options to its employees under a previous share option scheme (the "Scheme 2001"), which was adopted at the annual general meeting on 22 May 2001, details of which are set out below. Since then, no further options were granted under the Scheme 2001 and, all the options granted under the Scheme 2001 shall however remain valid until their expiry.

With the adoption of the Scheme 2002, the Company can provide incentives or rewards to its employees including non-executive directors and independent non-executive directors for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The total number of shares available for issue under the existing share option schemes (Scheme 2001 and Scheme 2002) is upon exercise of all share options granted and yet to be exercised 3,370,000, (2006: 3,490,000) which represents 0.82% (2006: 0.85%) of the issued shares of the Company for the time being and not exceeding 10% of the shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000). As at the date of this report, the total number of shares of the Company in issue was 413,265,000 (2006: 413,265,000).

Save for a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates according to the Listing Rules, the total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme 2002 and any other share option schemes of the Company (including outstanding options) to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options to any participant in excess of the 1% limit must be subject to shareholders approval in general meeting of the Company.

SHARE OPTION SCHEMES (Continued)

The exercise price (subscription price) will be determined by the Directors in its absolute discretion but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company.

The particulars of the outstanding share options granted under Scheme 2001 are as follows:

	Options granted on 19 June 2001 and remain outstanding as at 1 January 2007	Options cancelled during 2007	Options exercised during 2007	Options remain outstanding as at 31 December 2007
Name of director and chief executive:				
Lo Kin Hang, Brian *(Vice President and Company Secretary)*	800,000	–	–	800,000
Chen Xun[1] *(Vice President)*	260,000	–	–	260,000
Yang Qing[1] *(Vice President)*	130,000	–	–	130,000
	1,190,000	–	–	1,190,000
Employees in aggregate:				
Employees under employment contracts	3,490,000[2]	120,000	–	3,370,000

The above granted options have an exercise price of HK$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011, whilst there is no minimum period nor any amount payable on application required before exercising the options. The closing price of the shares immediately before the date on which these options were granted was HK$3.85.

(1) Chen Xun and Yang Qing were appointed as Vice President on 1 June 2007.

(2) The actual number of shares involved in the options outstanding at year end of 2006 was 3,490,000 options and was understated by 100,000 options.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

INTERESTS IN COMPETING BUSINESS

As at 31 December 2007, the following director of the Company was also director in other business, which competes or is likely to compete, either directly or indirectly, with the Group's business:

Name of Director	Name of the Companies	Principal Activities
Lim Toon	JSC Kazakhtelecom	Provision of fixed line telecommunications services, telegraph and telex services, data telecommunications, lease of channels, TV and radio retransmission, wire radio broadcasting and wireless communications services

SUBSTANTIAL SHAREHOLDER

As at 31 December 2007, according to the register of interests in shares and short positions kept by the Company under section 336 of the SFO, the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	*Note*	Number of shares interested	% of issued share capital
APT Satellite International Company Limited		214,200,000	51.83
China Aerospace Science & Technology Corporation	1	37,200,000	9.00
China Aerospace International Holdings Limited	1	31,200,000	7.55
Sinolike Investments Limited	1	31,200,000	7.55
Temasek Holdings (Private) Limited	2	22,800,000	5.52
Singapore Telecommunications Limited	2	22,800,000	5.52
Singasat Private Limited	2	22,800,000	5.52

SUBSTANTIAL SHAREHOLDER (Continued)

Note:

1. China Aerospace Science & Technology Corporation was deemed to be interested in the shares of the Company by virtue of its 42.53% shareholding in China Aerospace International Holdings Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Sinolike Investments Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in CASIL Satellite Holdings Limited which holds 14,400,000 shares of the Company.

2. Temasek Holdings (Private) Limited was deemed to be interested in the shares of the Company by virtue of its 55.96% shareholding in Singapore Telecommunications Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Singasat Private Limited.

Save as disclosed above, as at 31 December 2007, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

As at the date of this report, Messrs. Ni Yifeng, Tong Xudong, Rui Xiaowu, Lim Toon, Yin Yen-liang, Wu Zhen Mu, Zhao Liqiang, Yong Foo Chong and Tseng Ta-mon (alternate director to Yin Yen-liang), directors of the Company, are also directors of APT Satellite International Company Limited.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the Company's issued share capital at 31 December 2007.

MAJOR CUSTOMERS AND SUPPLIERS

In 2007, the aggregate turnover attributable to the Group's five largest customers was 33% (2006: less than 30%) of the total turnover and the aggregate purchase attributable to the Group's five largest suppliers was less than 30% of total purchases. In 2007, the largest customer accounted for 9% of the Group's turnover.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Company's five largest customers.

CONNECTED TRANSACTIONS

Certain continuing connected transactions also fall under related party transactions in accordance with the Hong Kong Accounting Standard, details are set out in note 33 to the financial statements. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions:

During the year ended 31 December 2007, the Group had the following continuing connected transactions, details of which are set out below.

Continuing Connected Transactions: (Continued)

As announced on 28 December 2006, for the purposes of governing the continuing connected transactions (the "Continuing Connected Transactions") and ensuring the compliance with Chapter 14A of the Listing Rules, the Company entered into the supplemental agreement ("Supplemental Agreement") with Singapore Telecommunications Limited ("SingTel") thereby extending the term of the master agreement ("Master Agreement") to 31 December 2009. The Master Agreement was first entered into on 1 December 2004 between the Company and SingTel in relation to the provision of satellite transponder ("Transponder Transactions") and any other satellite related services ("Telecom Transactions") by the Group to SingTel and Singapore Telecom Hong Kong Limited (an associate of SingTel), or vice versa.

SingTel was a connected person because it was the holding company of Singasat Private Limited ("SingaSat"), which was a substantial shareholder of APT Satellite Telecommunications Limited, which is owned as to 55% indirectly by the Company and 45% by SingaSat. The entering into the Transponder Transactions, the Telecom Transactions and the Master Agreement as extended by the Supplemental Agreement constituted connected transactions.

As approved by the independent shareholders of the Company on 13 February 2007, for the three years ending 31 December 2007, 31 December 2008 and 31 December 2009, the annual aggregate value of the Transponder Transactions will not exceed HK$9.5 million, HK$11.5 million and HK$13.2 million, respectively, and in the case of Telecom Transactions, their annual aggregate value will not exceed HK$1.2 million, HK$1.3 million and HK$1.3 million, respectively.

During the year ended 31 December 2007, the annual aggregate values were as follows:

(i)	Transponder Transactions	HK$3,387,000
(ii)	Telecom Transactions	HK$405,000

The Independent Non-Executive Directors of the Company have reviewed the Continuing Connected Transactions and confirmed that:

(i) the annual aggregate values of the Transponder Transactions and the Telecom Transactions for the year ended 31 December 2007 did not exceed HK$9.5 million and HK$1.2 million, respectively;

(ii) the Continuing Connected Transactions have been and will continue to be entered into the usual and ordinary course of business of the Group;

(iii) the Continuing Connected Transactions have been and will continue to be conducted either (1) on normal commercial terms; or (2) if there is no available comparison, on terms no less favorable to the Group than terms available from independent third parties; and

(iv) the Continuing Connected Transactions have been and will continue to be entered into in accordance with the Master Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected Transaction:

As announced on 2 October 2007, an option agreement ("Option Agreement") was entered into among APT Satellite Telecommunications Limited (the "Licensor"), a jointly controlled company indirectly owned as to 55% by the Company, NTT Com Asia Limited (the "Licensee"), an independent third party, and shareholders of APT Telecom including SingaSat thereby giving the Licensee a call option to purchase all equity interests in the Licensor at an agreed exercise price of HK$161 million on or before 31 December 2008 and a first right of refusal beginning 1 January 2009 until 31 December 2010 in respect of offers made by other parties. Given SingaSat is a substantial shareholder of the Licensor and was a connected person, the entering into the Option Agreement constitutes a connected transaction of the Company subject to reporting requirements pursuant to Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

RETIREMENT BENEFIT SCHEMES

Details of the Company's retirement benefit schemes are set out in note 32 to the financial statements.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" under this annual report.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board
Rui Xiaowu
Chairman

Hong Kong, 8 April 2008

KPMG

Independent auditor's report to the shareholders of
APT Satellite Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of APT Satellite Holdings Limited (the "Company") set out on pages 42 to 110, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

8 April 2008

For the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Turnover	3 & 11	**451,626**	426,988
Cost of services		**(314,792)**	(338,259)
Gross profit		**136,834**	88,729
Other net income	4	**26,334**	37,542
Administrative expenses		**(81,896)**	(88,957)
Revaluation gain on investment property	14	**226**	156
Impairment loss recognised in respect of property, plant and equipment	12(a)	**(98)**	–
Profit from operations		**81,400**	37,470
Finance costs	5 (a)	**(55,345)**	(64,140)
Share of results of jointly controlled entities	16	**(894)**	2,182
Profit/(Loss) before taxation	5	**25,161**	(24,488)
Income tax	6 (a)	**(20,445)**	(56,128)
Profit/(Loss) for the year		**4,716**	(80,616)
Attributable to:			
Equity shareholders of the Company	9	**5,581**	(79,480)
Minority interests		**(865)**	(1,136)
Profit/(Loss) for the year		**4,716**	(80,616)
Earnings/(loss) per share	10		
– Basic		**1.35 cents**	(19.23 cents)
– Diluted		**1.35 cents**	(19.23 cents)

The notes on pages 50 to 110 form part of these financial statements.

At 31 December 2007 (Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Property, plant and equipment	12 (a)	**2,508,321**	2,721,582
Interest in leasehold land held for own use under an operating lease	13	**14,820**	15,195
Investment properties	14	**5,171**	2,496
Interest in jointly controlled entities	16	**3,529**	4,423
Amounts due from a jointly controlled entity	16	**69,839**	72,294
Club memberships		**5,537**	5,537
Prepaid expenses	17	**14,137**	25,207
Deferred tax assets	23 (b)	**9,174**	8,747
		2,630,528	2,855,481
Current assets			
Trade receivables	18	**80,409**	80,261
Deposits, prepayments and other receivables	17	**23,240**	38,482
Amount due from immediate holding company		**101**	82
Amounts due from a jointly controlled entity	16	**5,530**	2,741
Pledged bank deposits	28	**83,749**	89,190
Cash and cash equivalents	19	**312,025**	341,325
		505,054	552,081
Current liabilities			
Payables and accrued charges		**38,727**	53,777
Rentals received in advance		**33,679**	34,155
Loan from a minority shareholder		**7,488**	7,488
Secured bank borrowings due within one year	20	**217,961**	156,820
Current taxation	23 (a)	**93,087**	93,080
		390,942	345,320
Net current assets		**114,112**	206,761
Total assets less current liabilities carried forward		**2,744,640**	3,062,242

At 31 December 2007 (Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Total assets less current liabilities brought forward		**2,744,640**	3,062,242
Non-current liabilities			
Secured bank borrowings due after one year	20	**462,374**	773,534
Deposits received	21	**19,624**	20,419
Deferred income	22	**207,787**	222,141
Deferred tax liabilities	23 (b)	**66,164**	63,915
		755,949	1,080,009
Net assets		**1,988,691**	1,982,233
Capital and reserves			
Share capital	24	**41,327**	41,327
Share premium		**1,287,536**	1,287,536
Contributed surplus	26	**511,000**	511,000
Capital reserve	26	**9,557**	9,614
Revaluation reserve	26	**368**	–
Exchange reserve	26	**4,007**	2,639
Other reserves	26	**115**	109
Accumulated profits	26	**133,855**	128,217
		1,987,765	1,980,442
Minority interests		**926**	1,791
Total equity		**1,988,691**	1,982,233

Approved and authorised for issue by the Board of Directors on 8 April 2008.

Ni Yifeng
DIRECTOR

Tong Xudong
DIRECTOR

The notes on pages 50 to 110 form part of these financial statements.

At 31 December 2007 (Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Property, plant and equipment	12 (b)	–	–
Interest in subsidiaries	15 (a)	**615,862**	615,862
		615,862	615,862
Current assets			
Loans to subsidiaries	15 (b)	**1,201,712**	1,201,712
Amounts due from subsidiaries	15 (b)	**126,184**	131,425
Other receivables and prepayments		**353**	283
Cash and cash equivalents	19	**10,503**	5,907
		1,338,752	1,339,327
Current liabilities			
Payables and accrued charges		**2,439**	2,130
Net current assets		**1,336,313**	1,337,197
		1,952,175	1,953,059
Capital and reserves			
Share capital	24	**41,327**	41,327
Share premium		**1,287,536**	1,287,536
Contributed surplus	26	**584,358**	584,358
Capital reserve	26	**9,557**	9,614
Accumulated profits	26	**29,397**	30,224
		1,952,175	1,953,059

Approved and authorised for issue by the Board of Directors on 8 April 2008.

Ni Yifeng
DIRECTOR

Tong Xudong
DIRECTOR

The notes on pages 50 to 110 form part of these financial statements.

For the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Share capital $'000	Share premium $'000	Contributed surplus $'000	Capital reserve $'000	Revaluation reserve $'000	Exchange reserve $'000	Other reserves $'000	Accumulated profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 January 2006	41,327	1,287,536	511,000	11,996	–	1,347	104	205,315	2,058,625	2,927	2,061,552
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	1,292	5	–	1,297	–	1,297
Cancellation of share options	–	–	–	(2,382)	–	–	–	2,382	–	–	–
Net loss for the year	–	–	–	–	–	–	–	(79,480)	(79,480)	(1,136)	(80,616)
Balance at 31 December 2006	41,327	1,287,536	511,000	9,614	–	2,639	109	128,217	1,980,442	1,791	1,982,233
At 1 January 2007	**41,327**	**1,287,536**	**511,000**	**9,614**	**–**	**2,639**	**109**	**128,217**	**1,980,442**	**1,791**	**1,982,233**
Exchange differences on translation of financial statements of overseas subsidiaries	**–**	**–**	**–**	**–**	**–**	**1,368**	**6**	**–**	**1,374**	**–**	**1,374**
Revaluation Surplus	**–**	**–**	**–**	**–**	**368**	**–**	**–**	**–**	**368**	**–**	**368**
Cancellation of share options	**–**	**–**	**–**	**(57)**	**–**	**–**	**–**	**57**	**–**	**–**	**–**
Net profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,581**	**5,581**	**(865)**	**4,716**
Balance at 31 December 2007	**41,327**	**1,287,536**	**511,000**	**9,557**	**368**	**4,007**	**115**	**133,855**	**1,987,765**	**926**	**1,988,691**

The notes on pages 50 to 110 form part of these financial statements.

For the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Capital reserve $'000	Accumulated profits $'000	Total $'000
The Company						
At 1 January 2006	41,327	1,287,536	584,358	11,996	27,854	1,953,071
Cancellation of share options	–	–	–	(2,382)	2,382	–
Net loss for the year	–	–	–	–	(12)	(12)
Balance at 31 December 2006	41,327	1,287,536	584,358	9,614	30,224	1,953,059
At 1 January 2007	**41,327**	**1,287,536**	**584,358**	**9,614**	**30,224**	**1,953,059**
Cancellation of share options	**–**	**–**	**–**	**(57)**	**57**	**–**
Net loss for the year	**–**	**–**	**–**	**–**	**(884)**	**(884)**
Balance at 31 December 2007	**41,327**	**1,287,536**	**584,358**	**9,557**	**29,397**	**1,952,175**

The notes on pages 50 to 110 form part of these financial statements.

For the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	2007 $'000	2006 $'000
Operating activities		
Profit/(Loss) before taxation	**25,161**	(24,488)
Adjustments for:		
Depreciation	**222,461**	231,347
Amortisation of leasehold land held for own use	**375**	375
Impairment loss recognised in respect of property, plant and equipment	**98**	–
Interest income	**(22,181)**	(17,559)
Gain on disposal of property, plant and equipment	**(261)**	(17,630)
Finance costs	**55,345**	64,140
Surplus arising on revaluation of investment property	**(226)**	(156)
Share of results of jointly controlled entities	**894**	(2,182)
Impairment loss for trade and other receivables	**80**	8,347
Operating profit before changes in working capital	**281,746**	242,194
Increase in trade receivables	**(227)**	(38,622)
Decrease in prepaid expenses	**11,070**	7,020
Increase in amount due from immediate holding company	**(19)**	(82)
Decrease/(Increase) in deposits, prepayments and other receivables	**14,992**	(2,302)
(Decrease)/Increase in payables and accrued charges	**(4,188)**	4,787
(Decrease)/Increase in rentals received in advance	**(476)**	2,741
(Increase)/Decrease in amounts due from a jointly controlled entity	**(89)**	5,059
Decrease in deferred income	**(14,354)**	(16,870)
(Decrease)/Increase in deposits received	**(795)**	4,433
Cash generated from operations	**287,660**	208,358
Hong Kong profits tax refunded	**–**	21,672
Overseas tax paid	**(18,616)**	(15,129)
Net cash generated from operating activities	**269,044**	214,901

For the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	2007 $'000	2006 $'000
Investing activities		
Payment for purchase of property, plant and equipment	**(11,426)**	(7,098)
Proceeds from disposal of property, plant and equipment	**295**	70,898
Advances/loans to jointly controlled entities	**(245)**	(7,518)
Interest received	**22,431**	16,896
Decrease/(Increase) in pledged bank deposits	**5,441**	(20,491)
Net cash generated from investing activities	**16,496**	52,687
Financing activities		
Interest paid	**(64,243)**	(63,514)
Repayment of bank borrowings	**(253,013)**	(191,226)
Net cash used in financing activities	**(317,256)**	(254,740)
Net (decrease)/increase in cash and cash equivalents	**(31,716)**	12,848
Cash and cash equivalents at 1 January	**341,325**	326,440
Effect of foreign exchange rates changes	**2,416**	2,037
Cash and cash equivalents at 31 December	**312,025**	341,325

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. As Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong, are consistent with IFRSs, these financial statements also comply with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("listing rules"). A summary of the significant accounting policies adopted by the Group is set out below.

Although HKFRSs have been fully converged with IFRSs in all material respects since 1 January 2005, these financial statements are the first published financial statements in which the Group makes an explicit and unreserved statement of compliance with IFRSs. Therefore, in preparing these financial statements management has given due consideration to the requirements of IFRS 1, First-time Adoption of International Financial Reporting Standards. For this purpose the date of the Group's transition to IFRSs was determined to be 1 January 2006, being the beginning of the earliest period for which the Group presents full comparative information in these financial statements.

With due regard to the Group's accounting policies in previous periods and the requirements of IFRS 1, management has concluded that no adjustments to the amounts reported under HKFRSs as at the date of transition to IFRSs, or in respect of the year ended 31 December 2006, were required in order to enable the Group to make an explicit and unreserved statement of compliance with IFRSs in the first IFRS financial statements which included these amounts as comparatives. Accordingly, these financial statements continue to include a statement of compliance with HKFRSs as well including for the first time a statement of compliance with IFRSs, without adjustment to the Group's and the Company's financial position, financial performance or cash flows either at the date of transition to IFRSs or at the end of latest period presented in accordance with HKFRSs.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property (see note 1(f)) is stated at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRS and HKFRSs requires management judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS and HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

(c) Subsidiaries and minority interest

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and minority interest (Continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loan from holder of minority interests is presented as financial liabilities in the consolidated balance sheet in accordance with note 1(k).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition post-tax results of the jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in jointly controlled entities recognised for the year (see note 1(e) and (i)).

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Jointly controlled entities (Continued)

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(i)). In respect of jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a jointly controlled entity is recognised immediately in the income statement.

On disposal of a cash generating unit, or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment property (Continued)

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statements. Rental income from investment properties is accounted for as described in note 1(q)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

Where other land and buildings is reclassified to investment property, the cumulative increase in fair value of investment property at the date of reclassification is included in the revaluation reserve, and will be transferred to retained profits upon the retirement and disposal of the relevant property.

(g) Other property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(i)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(h)); and

– other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment (Continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold improvement	Over the lease term
– Furniture and equipment, motor vehicles, and computer equipment	5 years
– Communication satellite equipment	5 to 15 years
– Communication station	5 years
– Communication satellites	9 to 16 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)); and

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(i) Classification of assets leased to the Group (Continued)

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts, to residual values, over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)).

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– investments in subsidiaries and joint ventures;
– club memberships; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(ii) Interim financial reporting and impairment

Under the rule governing the listing of securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(i)(i)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no losses, or a smaller loss, would have been recognised had the impairment been assessed only on at the end of the financial year to which the interim period relates.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

The employees of the Group participate in retirement plans managed by respective local governments of the municipalities in which the Group operates in the People's Republic of China (the "PRC"). The Group's contributions to the plan are calculated based on fixed rates of the employees' salary costs and charged to the income statement when incurred. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits (Continued)

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Transponder utilisation income

Income from provision of satellite transponder capacity and related services is recognised in the income statement in equal instalments over the accounting periods covered by the contract term, except where an alternative basis is more representative of the pattern of benefits to be derived from the satellite transponder capacity utilised.

(ii) Service income

Service income in respect of provision of satellite-based broadcasting and telecommunications services and other service is recognised when services are provided.

(iii) Interest income

Interest income is recognised as if accrued using the effective interest method.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statements, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Translation of foreign currencies (Continued)

The functional currency of the Group's main operations is the United States dollar which is translated into Hong Kong dollar for reporting of the financial statements. As the Hong Kong dollar is pegged to the United States dollar, the impact of foreign currency exchange fluctuations is insignificant to the Group.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit and loss on disposal.

(s) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment assets of the Group include trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on terms similar to those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Segment reporting (Continued)

Unallocated items mainly comprise financial and corporate assets, tax balances, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new and revised IFRSs and Interpretations that are first effective for the current accounting period commencing 1 January 2007 or available for early adoption. The equivalent new and revised HKFRSs and Interpretations consequently issued by HKICPA have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB. There have been no other material changes to HKFRSs.

These developments have not resulted in any significant changes to the accounting policies applied in these financial statements compared to those applied in the Group's financial statements for the year ended 31 December 2006. However, as a result of the adoption of IFRS/HKFRS 7, Financial instruments: Disclosures and the amendments to IAS/HKAS 1, Presentation of financial statements: Capital disclosures, these financial statements include certain additional disclosures which are explained as follows.

As a result of the adoption of IFRS/HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS/HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 27.

The amendment to IAS/HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 24(b).

Both IFRS/HKFRS 7 and the amendments to IAS/HKAS 1 do not have any impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

(Expressed in Hong Kong dollars)

3 TURNOVER

The principal activities of the Group are the maintenance, operation, and provision of satellite transponder capacity and related services and satellite-based broadcasting and telecommunications services and other services.

Turnover represents income received and receivable from provision of satellite transponder capacity and related services, satellite-based broadcasting and telecommunications services and other service. The amount of each category of revenue recognised in turnover during the year is as follows:

	2007 $'000	2006 $'000
Income from provision of satellite transponder capacity and related services	**395,032**	363,074
Income from provision of satellite-based broadcasting and telecommunications services	**56,453**	63,817
Service income	**141**	97
	451,626	426,988

4 OTHER NET INCOME

	2007 $'000	2006 $'000
Other net income primarily includes the following:		
Interest income	**22,181**	17,559
Rental income in respect of properties	**592**	536
Gain on disposal of property, plant and equipment *(note 12d)*	**261**	17,630

(Expressed in Hong Kong dollars)

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2007 $'000	2006 $'000
Interest on bank borrowings wholly repayable within five years	**52,254**	60,525
Other borrowing costs	**3,091**	3,615
	55,345	64,140

(b) Staff costs

	2007 $'000	2006 $'000
Staff costs (including directors' emoluments)		
Pension contributions	**2,767**	2,399
Less: Forfeited contributions	**–**	(8)
Net pension contributions	**2,767**	2,391
Salaries, wages and other benefits	**47,222**	44,363
	49,989	46,754

(c) Other items

	2007 $'000	2006 $'000
Auditors' remuneration		
– audit services	**1,266**	1,246
– other services	**10**	10
Depreciation	**222,461**	231,347
Amortisation on leasehold land held for own use	**375**	375
Foreign currency exchange gain	**(2,251)**	(302)
Operating lease charges: minimum lease payments		
– land and buildings and equipment	**961**	1,021
– satellite transponder capacity	**4,830**	7,461
Impairment loss for trade and other receivables	**80**	8,347
Impairment loss for property, plant and equipment	**98**	–

(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2007 $'000	2006 $'000
Current tax – Hong Kong Profits Tax		
Overprovision in respect of prior years	–	(21,771)
Current tax – Overseas		
Tax for the year	**18,623**	19,122
Deferred tax – Hong Kong		
Origination of temporary differences	**1,822**	58,777
	20,445	56,128

Taxation is charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group operating in Hong Kong incurred tax losses for the year. Overseas tax includes the withholding tax paid or payable in respect of Group's income from provision of satellite transponder capacity to the customers which are located outside Hong Kong.

In prior years, a subsidiary of the Company was in dispute with Hong Kong's Inland Revenue Department (the "IRD") in relation to the transfer of the entire business of APSTAR IIR and substantially all of the satellite transponders of APSTAR IIR. Having considered the advice from its independent tax advisor, management believed that it would be in the best interest of the Company that the dispute be settled as soon as practicable to avoid further incurrence of time, effort and professional cost. In 2006, the subsidiary of the Company submitted a settlement proposal to the IRD, via its tax advisor with a view to compromising on the tax assessment dispute. In September 2006, the IRD accepted the proposal of treating sale proceeds from the disposal of APSTAR IIR of $2,114,758,000 as taxable income arising over the remaining life of APSTAR IIR until the tax assessment year of 2012/2013. In addition, the IRD accepted the Company continuing to claim the deduction of statutory depreciation allowances in respect of APSTAR IIR and other expenditures related to the transaction to offset such taxable income.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

With the proposal accepted by the IRD, the tax dispute in respect of the years of assessment of 1999/2000 and 2000/2001 is settled. The net assessable profit for 1999/2000 of the subsidiary was revised to zero and the profits tax previously paid of $21,589,259 were refunded. In addition, as the subsidiary was in a tax loss position in 2000/2001, 2001/2002 and 2002/2003, the Tax Reserve Certificate in the amount of $78,385,377 previously paid, with interest from the date of purchase in March 2006 until the date of the IRD accepting the proposal was redeemed and the provisional tax paid for 2002/2003 of $82,868 was refunded.

As a result of the proposal being accepted by the IRD, a deferred tax asset of $123,239,000 has been recognised based on the total cumulative tax losses carried forward and the depreciation allowances in respect of APSTAR IIR to be deducted in the future. Furthermore, a deferred tax liability of $166,063,000 has been recognised for the related deferred lease income to be taxed in the future.

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2007 $'000	2006 $'000
Profit/(Loss) before taxation	**25,161**	(24,488)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to losses in the countries concerned	**4,056**	(4,710)
Overseas withholding tax	**18,623**	19,122
Tax effect of non-deductible expenses	**2,287**	2,967
Tax effect of non-taxable revenue	**(4,629)**	(3,834)
Tax effect of unused tax losses not recognised	**1,463**	1,767
Tax effect of prior year's unrecognised tax losses utilised this year	**(1,355)**	(2,008)
Others *(note)*	**–**	42,824
Actual tax expenses	**20,445**	56,128

Note: This represents the net deferred tax expense recognised in connection with the tax settlement of APSTAR IIR (See note 6(a)).

(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(c) In November 2007, a subsidiary of the Company was requested to supply information to the IRD in respect of the nature of the gain arising from the disposal of certain transponders in 2006 (see note 12d(ii)) and as to whether such transaction should be taxable. The directors believe they have sufficient grounds to support their contention that such transaction should be treated as capital in nature and no profits tax provision in respect of such transaction was made as of 31 December 2007. The management is in the process of gathering the requested relevant information. However, the final outcomes are subject to uncertainties and the resulting tax exposure may differ from the reasonable estimate made by the management.

7 DIRECTORS' REMUNERATION

Director' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Performance related incentive payments $'000	2007 Total $'000
Executive directors					
Ni Yifeng	50	2,840	165	78	**3,133**
Tong Xudong	50	2,331	145	68	**2,594**
Non-executive directors					
Rui Xiaowu *(note a)*	–	–	–	–	**–**
Zhao Liqiang	50	–	–	–	**50**
Lim Toon	50	–	–	–	**50**
Yoo Foo Chong	41	–	–	–	**41**
Ho Siaw Hong	9	–	–	–	**9**
Yin Yen-liang	50	–	–	–	**50**
Wu Zhen Mu	50	–	–	–	**50**
Tseng Ta-mon *(note b)*	–	–	–	–	**–**
Independent non-executive directors					
Huan Guocang	200	–	–	–	**200**
Lui King Man	200	–	–	–	**200**
Yuen Pak Yiu, Philip	99	–	–	–	**99**
Lam Sek Kong	101	–	–	–	**101**
Cui Liguo	101	–	–	–	**101**
	1,051	**5,171**	**310**	**146**	**6,678**

(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION (Continued)

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Performance related incentive payments $'000	2006 Total $'000
Executive directors					
Ni Yifeng	50	2,800	165	–	3,015
Tong Xudong	50	2,263	142	–	2,455
Non-executive directors					
Rui Xiaowu *(note a)*	3	–	–	–	3
Liu Ji Yuan	47	–	–	–	47
Zhao Liqiang	3	–	–	–	3
Zhang Hainan	47	–	–	–	47
Lim Toon	50	–	–	–	50
Ho Siaw Hong	38	–	–	–	38
Lan Kwai-chu	12	–	–	–	12
Yin Yen-liang	50	–	–	–	50
Wu Zhen Mu	50	–	–	–	50
Tseng Ta-mon *(note b)*	–	–	–	–	–
Independent non-executive directors					
Yuen Pak Yiu, Philip	100	–	–	–	100
Huan Guocang	100	–	–	–	100
Lui King Man	100	–	–	–	100
	700	5,063	307	–	6,070

In addition to the above emoluments, certain Directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Share option schemes" in the Directors' report and note 25.

Notes:

Alternate directors are not entitled to receive any directors' fees:

(a) Mr. Rui Xiaowu, a non-executive director, has waived his directors' fees for 2007.

(b) Mr. Tseng Ta-mon was re-designated from non-executive director to alternate director on 8 September 2004.

(Expressed in Hong Kong dollars)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group, two are directors (2006: two) whose remuneration is disclosed in note 7. The aggregate of emoluments in respect of the other three (2006: three) individuals are as follows:

	2007 $'000	2006 $'000
Salaries and other emoluments	**4,839**	4,541
Performance related incentive payments	**192**	154
Retirement benefits contributions	**330**	303
	5,361	4,998

The emoluments of the three (2006: three) individuals with the highest emoluments are within the following bands:

	Number of individuals 2007	2006
$Nil to $1,000,000	**–**	1
$1,000,001 to $1,500,000	**1**	–
$2,000,001 to $2,500,000	**2**	2
	3	3

9 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit/(loss) attributable to shareholders includes a loss of $884,000 (2006: $12,000) which has been dealt with in the financial statements of the Company.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to shareholders of $5,581,000 (2006: $79,480,000 loss attributable to equity shareholders) and the weighted average of 413,265,000 ordinary shares (2006: 413,265,000 shares) in issue during the year ended 31 December 2007.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the years 2007 and 2006.

(Expressed in Hong Kong dollars)

11 SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Inter-segment pricing is based on terms similar to those available to external third parties.

Business segments

The Group comprises two main business segments, namely provision of satellite transponder capacity and related services and provision of satellite-based broadcasting and telecommunications services.

	Provision of satellite transponder capacity and related services		Provision of satellite-based broadcasting and telecommunications services		Inter-segment elimination		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Turnover from external customers	**395,032**	363,074	**56,453**	63,817	**–**	–	**451,485**	426,891
Inter-segment turnover	**14,028**	19,193	**1,260**	1,128	**(15,288)**	(20,321)	**–**	–
Total	**409,060**	382,267	**57,713**	64,945	**(15,288)**	(20,321)	**451,485**	426,891
Service income							**141**	97
							451,626	426,988
Segment result	**126,873**	71,809	**9,644**	8,481	**(2)**	(5)	**136,515**	80,285
Service income							**141**	97
Unallocated other net income							**26,560**	37,698
Unallocated administrative expenses								
– staff costs							**(47,792)**	(44,940)
– office expenses							**(34,024)**	(35,670)
Profit from operations							**81,400**	37,470
Finance costs							**(55,345)**	(64,140)
Share of results of jointly controlled entities							**(894)**	2,182
Profit/(loss) before taxation							**25,161**	(24,488)
Income tax							**(20,445)**	(56,128)
Profit/(loss) for the year							**4,716**	(80,616)

(Expressed in Hong Kong dollars)

11 SEGMENTAL REPORTING (Continued)

Business segments (Continued)

	Provision of satellite transponder capacity and related services		Provision of satellite-based broadcasting and telecommunications services		Inter-segment elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation for the year	**216,557**	224,501	**5,904**	6,846				
Impairment loss for the year	**–**	–	**98**	–				
Significant non-cash expenses (other than depreciation)	**25**	7,886	**55**	460				

	Provision of satellite transponder capacity and related services		Provision of satellite-based broadcasting and telecommunications services		Inter-segment elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	**2,629,907**	2,858,518	**36,272**	50,768	**(41,872)**	(51,922)	**2,624,307**	2,857,364
Investment in and amounts due from jointly controlled entities	**78,898**	79,458	**–**	–	**–**	–	**78,898**	79,458
Unallocated assets							**432,377**	470,740
Total assets							**3,135,582**	3,407,562
Segment liabilities	**330,908**	344,165	**76,449**	90,362	**(41,872)**	(51,922)	**365,485**	382,605
Unallocated liabilities							**781,406**	1,042,724
Total liabilities							**1,146,891**	1,425,329
Capital expenditure incurred during the year	**9,343**	3,506	**1,340**	2,728				

(Expressed in Hong Kong dollars)

11 SEGMENTAL REPORTING (Continued)

Geographical segments

The Group's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple countries but not located within a specific geographical area. Accordingly, no segment analysis of the carrying amount of segment assets by location of assets is presented.

In presenting information on the basis of geographical segments, segment revenue, segment assets and capital expenditure is based on the geographical location of customers.

	Hong Kong		Other regions in the PRC		Singapore		Indonesia		Others		Unallocated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Turnover from external customers	65,065	60,340	170,758	207,389	61,486	49,821	90,505	50,420	63,812	59,018	–	–
Segment assets	6,794	15,302	39,070	41,254	3,894	1,930	16,499	14,132	14,152	7,643	3,055,173	3,327,301
Capital expenditure incurred during the year	–	–	369	844	–	–	–	–	–	–	10,314	5,390

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings $'000	Leasehold improvements $'000	Furniture and equipment, motor vehicles, and computer equipment $'000	Communication satellite equipment $'000	Communication station $'000	Communication satellites $'000	Construction in progress $'000	Total $'000
Cost:								
At 1 January 2006	102,233	7,621	43,280	161,175	13,904	5,028,640	1,098	5,357,951
Exchange adjustments	–	42	109	406	556	–	44	1,157
Additions	–	491	2,759	2,743	23	–	218	6,234
Disposals	–	–	(536)	(824)	–	(62,589)	–	(63,949)
At 31 December 2006	102,233	8,154	45,612	163,500	14,483	4,966,051	1,360	5,301,393
At 1 January 2007	102,233	8,154	45,612	163,500	14,483	4,966,051	1,360	5,301,393
Exchange adjustments	–	71	177	699	924	–	87	1,958
Additions	–	4,792	903	2,925	8	–	2,055	10,683
Disposals	–	–	(2,270)	(31,090)	–	–	(8)	(33,368)
Transfer	(3,222)	–	–	(277)	1,101	–	(824)	(3,222)
At 31 December 2007	99,011	13,017	44,422	135,757	16,516	4,966,051	2,670	5,277,444
Accumulated depreciation:								
At 1 January 2006	17,289	4,277	33,944	99,767	5,891	2,197,381	–	2,358,549
Exchange adjustments	–	34	84	242	236	–	–	596
Charge for the year	2,075	416	7,435	12,583	2,582	206,256	–	231,347
Written back on disposal	–	–	(495)	(810)	–	(9,376)	–	(10,681)
At 31 December 2006	19,364	4,727	40,968	111,782	8,709	2,394,261	–	2,579,811
At 1 January 2007	19,364	4,727	40,968	111,782	8,709	2,394,261	–	2,579,811
Exchange adjustments	–	68	125	479	556	–	–	1,228
Charge for the year	2,031	496	1,849	12,078	2,442	203,565	–	222,461
Impairment loss	–	–	–	98	–	–	–	98
Transfer	(1,141)	–	–	–	–	–	–	(1,141)
Written back on disposal	–	–	(2,244)	(31,090)	–	–	–	(33,334)
At 31 December 2007	20,254	5,291	40,698	93,347	11,707	2,597,826	–	2,769,123
Net book value:								
At 31 December 2007	**78,757**	**7,726**	**3,724**	**42,410**	**4,809**	**2,368,225**	**2,670**	**2,508,321**
At 31 December 2006	82,869	3,427	4,644	51,718	5,774	2,571,790	1,360	2,721,582

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (Continued)

Impairment loss

During 2007, the Group conducted a review of the Group's property, plant and equipment. Based on the results of the review, an impairment loss of $98,000 in respect of communication satellite equipment has been recognised and charged to the income statement and it was concluded that no further impairment is required. There was no impairment loss recognised in respect of property, plant & equipment in 2006.

(b) The Company

	Motor vehicle $'000
Cost:	
At 1 January 2006, 31 December 2006 and 31 December 2007	411
Accumulated depreciation:	
At 1 January 2006, 31 December 2006 and 31 December 2007	411
Net book value:	
At 31 December 2006 and 31 December 2007	**–**

(c) The analysis of net book value of land and buildings held by the Group is as follows:

	Land and buildings 2007 $'000	2006 $'000
Medium-term leases outside Hong Kong	**–**	2,094
Medium-term leases in Hong Kong	**78,757**	80,775
	78,757	82,869

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) Fixed assets under finance leases

(i) The fair value of the buildings held for own use, which are situated on leasehold land as disclosed above cannot be measured separately from the fair value of the leasehold land at the inception of the lease, and therefore is accounted for as being held under a finance lease.

(ii) In August 2004, the in-orbit tests of APSTAR V with 54 transponders were completed and APSTAR V was put into service on 13 August 2004. Based on the arrangements entered into by the Group and the vendor, Loral Orion, Inc ("Loral Orion"), the Group assumed the risks and rewards of 37 transponders ("APT Transponders") for the entire operational life of APSTAR V under finance leases, while the risks and rewards relating to the other 17 transponders remained with Loral Orion. As at 31 December 2007, the net book value of communication satellites held under finance leases in connection with APSTAR V amounted to $834,448,000 (2006: $911,526,000).

Pursuant to the various amended agreements with Loral Orion, Loral Orion has options to take up 4 APT Transponders from the fourth year and another 4 APT Transponders from the fifth year after completion of in-orbit tests of APSTAR V, for their remaining operational lives at a total consideration of $282,865,000. On 29 September 2006, Loral Orion partially exercised its right to take up 2 APT Transponders ahead of schedule, at a total consideration of $70,716,000. As a result, a gain of $17,503,000 arising from disposal of the 2 APT Transponders was recognised in 2006. The consideration in relation to the remaining 6 APT Transponders to be taken up by Loral Orion is $212,149,000. The remaining APT transponders subject to this arrangement had a net book value of $143,048,000 at 31 December 2007 (2006: $156,262,000).

(e) In-orbit insurance of satellites

As of 31 December 2007, the Group did not have full in-orbit insurance coverage for its satellites. The in-orbit satellites had a net book value in aggregate of $2,368,225,000 (2006: $2,571,790,000) as of 31 December 2007.

(f) Change in estimated useful life of a satellite

Following a review undertaken by the Group during the year, the expected useful life of APSTAR IIR was revised with effect from 1 February 2007. The change in estimated useful life of APSTAR IIR has increased the depreciation charges for the year by approximately $587,000 and decreased the profit for the year by approximately $484,000. This change will also increase the annual depreciation charge by approximately $640,000 and decrease the profit after tax by approximately $528,000 throughout the remaining useful life of APSTAR IIR.

(Expressed in Hong Kong dollars)

13 INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER AN OPERATING LEASE

	The Group $'000
Cost:	
At 1 January 2006, 31 December 2006 and 31 December 2007	18,678
Accumulated depreciation:	
At 1 January 2006	3,108
Charge for the year	375
At 31 December 2006	3,483
At 1 January 2007	
Charge for the year	375
At 31 December 2007	3,858
Net book value:	
At 31 December 2007	**14,820**
At 31 December 2006	15,195

14 INVESTMENT PROPERTIES

The investment properties were revalued at 31 December 2007 at $5,171,000 (2006: $2,496,000) by Savills Valuation and Professional Services Limited, an independent professional property valuer, on an open market value basis by reference to net rental income allowing for reversionary income potential. The revaluation surplus of HK$226,000 (2006: HK$156,000) has been recognised in the income statement during the year.

In prior years, a property was held for office purpose and classified as property, plant and equipment. During the year ended 31 December 2007, the directors changed the intended use of this property from office purpose to rental purpose. Accordingly, this property with carrying value of $2,081,000 has been transferred from property, plant and equipment to investment properties.

The investment properties, which are situated in the PRC under medium-term leases, are rented out under operating lease and the rental income earned from the investment properties during the year was $297,000 (2006: $254,000).

(Expressed in Hong Kong dollars)

15 INTEREST IN, LOANS TO AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Interest in subsidiaries

	The Company	
	2007	2006
	$'000	$'000
Unlisted shares, at cost	**615,862**	615,862

(b) Loans to and amounts due from subsidiaries under current assets are unsecured, interest-free and repayable on demand.

(c) Particulars of subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group financial statements.

Name of Company	Place of incorporation and operation*	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
APT Satellite Investment Company Limited	British Virgin Islands	US$1,400	100%	100%	–	Investment holding
Acme Star Investment Limited	Hong Kong	HK$2	100%	–	100%	Inactive
APT Satellite Company Limited	Hong Kong	Ordinary Class "A" HK$100; Non-voting Deferred Class "B" HK$542,500,000	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Enterprise Limited	Cayman Islands	US$2	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Global Company Limited	Cayman Islands	US$2	100%	–	100%	Investment holding
APT Satellite Link Limited	Cayman Islands	US$2	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Telewell Limited	Hong Kong	HK$2	100%	–	100%	Inactive

(Expressed in Hong Kong dollars)

15 INTEREST IN, LOANS TO AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(c) Particulars of subsidiaries (Continued)

Name of Company	Place of incorporation and operation*	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
APT Satellite TV Development Limited	Hong Kong	HK$2	100%	–	100%	Provision of satellite television uplink and downlink services
APT Satellite Vision Limited	Hong Kong	HK$2	100%	–	100%	Satellite leasing
APT Telecom Services Limited	Hong Kong	HK$2	100%	–	100%	Provision of telecommunication services
Haslett Investments Limited	British Virgin Islands	US$1	100%	–	100%	Inactive
Skywork Corporation	British Virgin Islands	US$1	100%	–	100%	Investment holding
The 138 Leasing Partnership	Hong Kong	Partners capital HK$329,128,857	N/A	N/A	N/A	Inactive
Ying Fai Realty (China) Limited	Hong Kong/ PRC	HK$20	100%	–	100%	Property holding
亞訊通信技術開發(深圳)有限公司 (APT Communication Technology Development (Shenzhen) Co., Ltd.)	Wholly-owned foreign enterprises, PRC	Registered capital HK$5,000,000	100%	–	100%	Provision of satellite transponder capacity
CTIA VSAT Network Limited	Hong Kong	HK$5,000,000	60%	–	60%	Investment holding
北京亞太東方通信網絡有限公司 (Beijing Asia Pacific East Communication Network Limited)	Joint venture, PRC	Registered capital US$4,000,000	36%	–	60%	Provision of data transmission services

* *The place of operations is the place of incorporation/establishment unless otherwise stated.*

No loan capital has been issued by any of the subsidiaries.

(Expressed in Hong Kong dollars)

16 INTEREST IN JOINTLY CONTROLLED ENTITIES AND AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY

	The Group	
	2007 $'000	2006 $'000
Share of net assets	**3,529**	4,423

Details of the jointly controlled entities of the Group as at 31 December 2007 are set out below:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by the subsidiary	Principal activity
APT Satellite Telecommunications Limited ("APT Telecom")	Incorporated	Hong Kong	HK$153,791,900	55%	–	55%	Property holding
北京中廣信達數據廣播技術有限公司 (Beijing Zhong Guang Xin Da Data Broadcast Technology Co. Limited) ("Zhong Guang Xin Da")	Joint venture, Incorporated	PRC	Registered capital RMB11,000,000	12.6%	–	35%	Provision of data transmission services

APT Telecom is considered as a jointly controlled entity as the Group and the other shareholder of APT Telecom both have the right to appoint an equal number of directors to the board of directors.

Zhong Guang Xin Da is considered as a jointly controlled entity as the Group and the other shareholders of Zhong Guang Xin Da exercise joint control over it pursuant to a shareholders' resolution.

The amounts due from a jointly controlled entity are unsecured and interest-free. Except for an amount of $7,650,000 (2006: $8,100,000), the amounts have no fixed repayment terms.

16 INTEREST IN JOINTLY CONTROLLED ENTITIES AND AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY (Continued)

At 31 December 2007, the amount of $7,650,000 is repayable as follows:

	2007 $'000	2006 $'000
Within one year or on demand	**4,950**	2,700
After one year but within five years	**2,700**	5,400
	7,650	8,100

The Group has agreed not to demand for repayment of other amounts due from a jointly controlled entity within the next twelve months from the balance sheet date and accordingly, the amount is classified as non-current.

Summary financial information on jointly controlled entities – Group's effective interest:

	2007 $'000	2006 $'000
Non-current assets	**76,670**	75,350
Current assets	**2,011**	969
Non-current liabilities	**(68,624)**	(66,894)
Current liabilities	**(6,528)**	(5,002)
Net assets	**3,529**	4,423
Income	**938**	3,553
Expenses	**(1,832)**	(1,371)
(Loss)/Profit for the year	**(894)**	2,182

(Expressed in Hong Kong dollars)

17 PREPAID EXPENSES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Prepaid expenses represents the advance payment of license fee for the right to use certain designated transmission frequencies. Part of the prepaid expenses which fall due within one year are included as part of deposits, prepayments and other receivables.

	The Group	
	2007	**2006**
	$'000	**$'000**
Balance at 31 December	**25,057**	36,127
Less: current portion (included in deposits, prepayments and other receivables under current assets)	**(10,920)**	(10,920)
Non-current portion	**14,137**	25,207

18 TRADE RECEIVABLES

	The Group	
	2007	**2006**
	$'000	**$'000**
Due from third parties	**74,313**	78,316
Due from shareholders of the Company	**2,628**	1,037
Due from holding company and its subsidiaries of a shareholder of the Company	**3,468**	908
	80,409	80,261

The trade receivables are expected to be recovered within one year.

18 TRADE RECEIVABLES (Continued)

(a) Ageing analysis

The Group allows a credit period of 30 days to its trade customers. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) at the balance sheet date:

	The Group	
	2007	2006
	$'000	$'000
0 – 30 days	**53,923**	52,616
31 – 60 days	**8,276**	8,414
61 – 90 days	**4,032**	6,568
91 – 120 days	**3,001**	2,201
Over 121 days	**11,177**	10,462
	80,409	80,261

The Group's credit policy is set out in note 27(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(j)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follow:

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
At 1 January	**18,382**	10,291	**–**	–
Impairment loss recognised	**80**	7,946	**–**	–
Uncollectible amounts written off	**(5,229)**	–	**–**	
Exchange difference	**299**	145	**–**	–
At 31 December	**13,532**	18,382	**–**	–

(Expressed in Hong Kong dollars)

18 TRADE RECEIVABLES (Continued)

(b) Impairment of trade receivables (Continued)

At 31 December 2007, the Group's trade receivables of $13,532,000 (2006: $18,382,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $80,000 (2006: $7,946,000) respectively were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follow:

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Less than 1 month past due	**53,923**	52,616	**–**	–
1 to 3 months past due	**12,308**	14,982	**–**	–
More than 3 months past due	**14,178**	12,663	**–**	–
At 31 December	**80,409**	80,261	**–**	–

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Deposits with banks and other financial institutions	**302,784**	316,536	**9,809**	5,636
Cash at bank and on hand	**9,241**	24,789	**694**	271
Cash and cash equivalents in the balance sheet and cash flow statement	**312,025**	341,325	**10,503**	5,907

(Expressed in Hong Kong dollars)

20 SECURED BANK BORROWINGS

	The Group	
	2007	2006
	$'000	$'000
Bank loans	**680,335**	930,354
Less: Amount due within one year included under current liabilities	**(217,961)**	(156,820)
Amount due after one year	**462,374**	773,534
The bank borrowings are repayable as follows:		
Within one year or on demand	**217,961**	156,820
After one year but within five years	**462,374**	773,534
	680,335	930,354

The secured bank borrowings are subject to the fulfillment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions (see note 24(b)(ii)). If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31 December 2007 and 2006, none of the covenants relating to drawn down facilities had been breached.

21 DEPOSITS RECEIVED

The amount represents deposits received in respect of provision of satellite transponder capacity service, satellite-based broadcasting and telecommunications services and other services.

22 DEFERRED INCOME

Deferred income represents unrecognised revenue received in respect of income for provision of transponder utilisation service for future periods. Deferred income is recognised in the income statement according to revenue recognition policy of transponder utilisation income as mentioned in note 1(q)(i).

(Expressed in Hong Kong dollars)

23 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group 2007 $'000	The Group 2006 $'000
Overseas tax payable	**7,224**	11,644
Balance of overseas tax provision relating to prior years	**85,863**	81,436
	93,087	93,080

(b) Deferred tax assets and liabilities recognised

(i) The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation $'000	Losses $'000	Deferred lease income $'000	Other temporary differences $'000	Total $'000
At 1 January 2006	376,422	(379,635)	–	(396)	(3,609)
Charged/(credited) to consolidated income statement	(3,047)	(104,093)	166,063	(146)	58,777
At 31 December 2006	373,375	(483,728)	166,063	(542)	55,168
At 1 January 2007	373,375	(483,728)	166,063	(542)	55,168
Charged/(credited) to consolidated income statement	(9,152)	38,835	(27,652)	(209)	1,822
At 31 December 2007	**364,223**	**(444,893)**	**138,411**	**(751)**	**56,990**

(Expressed in Hong Kong dollars)

23 INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised (Continued)

(i) The Group (Continued)

	The Group 2007 $'000	The Group 2006 $'000
Net deferred tax assets recognised in the consolidated balance sheet	**(9,174)**	(8,747)
Net deferred tax liabilities recognised in the consolidated balance sheet	**66,164**	63,915
	56,990	55,168

(ii) The Company

The Company did not have any deferred tax assets/liabilities recognised in the balance sheet.

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $131,302,000 (2006: $83,662,000) and other deductible temporary differences of $36,221,000 (2006: $24,759,000) as the realisation of the assets was considered less than probable. The tax losses do not expire under current tax legislation.

24 SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares '000	Issued and fully paid share capital $'000
Ordinary shares of $0.10 each At 31 December 2006 and 31 December 2007	**413,265**	41,327

The Company's authorised share capital is 1,000,000,000 shares of $0.10 each. There were no changes in the Company's authorised or issued share capital during either year.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(Expressed in Hong Kong dollars)

24 SHARE CAPITAL (Continued)

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings and trade and other payables) less cash and cash equivalents and pledged deposits.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain the net debt-to-adjusted capital ratio at a percentage that is below 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

24 SHARE CAPITAL (Continued)

(b) Capital management (Continued)

The net debt-to-adjusted capital ratio at 31 December 2007 and 2006 was as follows:

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Current Liabilities:				
Payables and accrued charges	**38,727**	53,777	**2,439**	2,130
Loan from a minority shareholder	**7,488**	7,488	**–**	–
Secured bank borrowings due within one year	**217,961**	156,820	**–**	–
	264,176	218,085	**2,439**	2,130
Non-current liabilities:				
Secured bank borrowings due after one year	**462,374**	773,534	**–**	–
Total debt	**726,550**	991,619	**2,439**	2,130
Less: Cash and cash equivalents	**(312,025)**	(341,325)	**(10,503)**	(5,907)
Pledged bank deposits	**(83,749)**	(89,190)	**–**	–
Net debt	**330,776**	561,104	**(8,064)**	(3,777)
Total equity	**1,988,691**	1,982,233	**1,952,175**	1,953,059
Adjusted capital	**1,988,691**	1,982,233	**1,952,175**	1,953,059
Net debt-to-adjusted capital ratio	**17%**	28%	**N/A**	N/A

(Expressed in Hong Kong dollars)

24 SHARE CAPITAL (Continued)

(b) Capital management (Continued)

In December 2002, the Group entered into a US$240 million secured term loan facility (the "Loan Facility"), which is secured by the assignment of the construction, launching and related equipment contracts relating to APSTAR V and APSTAR VI under construction and their related insurance claim proceeds, assignment of all present and future utilisation agreements of the transponders of satellites under construction, first fixed charge over certain bank accounts which will hold receipts of the transponder income and the termination payments under construction, launching and related equipment contracts. In October 2004, the Group entered into a Deed of Amendment and Restatement to amend certain terms of the Loan Facility for the purpose of adjusting for the cancellation of the unutilised portion relating to APSTAR V satellite and APSTAR VI backup satellite. Accordingly, the maximum aggregate amount under the Loan Facility was reduced to US$165 million and certain financial covenants were amended. In May 2005, the Group entered into a Second Deed of Amendment and Restatement. The second amendment extended the availability period of drawing under the facility with respect to APSTAR VI to 30 June 2005 and amended the financial covenants. The Group was in compliance with these covenants as of 31 December 2007.

This Loan Facility agreement contains the following covenants:

(i) *Restricted Distributions*
The Loan Facility provides that the Group may make annual dividend payments only when Projected EBITDA plus free cash less capital expenditure for that year is less than (i) 130% of project debt service (as defined in the Loan Facility) of that year before the release of certain pledged assets and (ii) 180% of Project Debt Service after the release of certain pledged assets.

(ii) *Financial Covenants*
The Loan Facility provides that certain earnings and cash flow ratios of APT Satellite Company Limited ("APT") and the Group must be measured over various periods during its term. APT and the Group undertakes to ensure that (i) it maintains its aggregate consolidated net worth at not less than US$200 million, (ii) the aggregate of consolidated total liabilities shall not exceed 120% of consolidated net worth, (iii) consolidated EBITDA shall not be less than US$25 million, (other than for the year ended 31 December 2006, where it will not be less than US$20 million), (iv) the ratio of the aggregate outstanding principal under each tranche to the value of the satellite financed by such tranche shall not exceed 50% and (v) after the release of certain pledged assets, borrower's EBITDA shall be at least 180% of debt service.

24 SHARE CAPITAL (Continued)

(b) Capital management (Continued)

(iii) Block Account/Withdrawal Conditions

Under the Loan Facility, (i) insurance proceeds obtained as a result of total or material partial loss relating to APSTAR V and APSTAR VI and (ii) Termination sum of related construction contracts must be deposited in a designated account. The withdrawal of deposited amounts in such accounts may only occur in accordance with provision contained in the Loan Facility.

(iv) Others

The Loan Facility includes covenants customary for agreements of this type, including restrictions on APT and the Company's ability to incur indebtedness, certain ownership restrictions, restrictions on affiliated transactions, covenants with respect of compliance with laws, maintenance of licenses and permits required for the Group's business and a requirement that all future transponder utilisation agreements be entered into on an arms-length basis. Among others, APT should notify the lenders if its ultimate holding company, APT Satellite International Company Limited, directly owns less than 50.01% of the voting rights in the Group.

For the years presented, the Group complied with all the above covenants.

25 SHARE OPTIONS

At the annual general meeting on 22 May 2001, the Company adopted a share option scheme ("Scheme 2001") and granted options to its employees on 19 June 2001. On 22 May 2002, the Company adopted a new share option scheme ("Scheme 2002") at its 2002 annual general meeting. Thereafter, no further options can be granted under the Scheme 2001. The options granted on 19 June 2001 shall continue to be valid until their expiry.

The total number of shares which may be issued upon exercise of all options to be granted under Scheme 2001 and Scheme 2002 shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at the date of this report, 413,265,000 shares of the Company were in issue.

(Expressed in Hong Kong dollars)

25 SHARE OPTIONS (Continued)

Under Scheme 2002, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board of Directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's (the "Exchange's") daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

During the year, no options were granted under the Scheme 2002.

Under the Scheme 2001, the maximum entitlement of each eligible person was that the total number of shares issued or issuable under all options granted to such eligible person (including both exercised and outstanding options) upon such grant being made shall not exceed 25% of the total number of the shares for the time being issued and issuable under the Scheme 2001. In addition, the subscription price was determined by the Board of Directors on a case-by-case basis and would not be less than the nominal value of the shares nor at a discount of more than 20% below the average closing price of the shares as stated in the Exchange's daily quotation sheets on the five dealing days immediately preceding the date on which the invitation to apply for an option under Scheme 2001.

Movements in share options

The particulars of the share options granted under the Scheme 2001 outstanding during the year are as follows:

	2007 Number	2006 Number
At 1 January	**3,390,000**	4,230,000
Cancelled during the year	**(20,000)**	(840,000)
At 31 December	**3,370,000**	3,390,000
Options vested at 31 December	**3,370,000**	3,390,000

The above granted options have an exercise price of $2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011.

25 SHARE OPTIONS (Continued)

Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimated fair value of the services received is measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model. No share options were granted in 2007.

26 RESERVES

The contributed surplus of the Group arose as a result of the Group reorganisation in 1996 and represented the excess of the par value of the shares of the subsidiaries which the Company acquired over the par value of the Company's shares issued in consideration thereof.

The contributed surplus of the Company also arose as a result of the Group reorganisation in 1996 and represented the excess of the value of the subsidiaries acquired over the par value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

Capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognized in accordance with accounting policy adopted for share based payments in note 1(n)(ii).

Revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted in note 1(f).

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with is accordance with accounting policy adopted in note 1(r).

Other reserves represent the Enterprise Expansion Fund and General Reserve Fund set aside by a subsidiary in accordance with the relevant laws and regulations of the PRC, which are not available for distribution.

At 31 December 2007, the Company's reserves available for distribution amounted to $613,755,000 (2006: $614,582,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

(Expressed in Hong Kong dollars)

27 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, periodic credit evaluations are performed of customers' financial condition. The Group generally does not require collateral because it usually receives trade deposits which represent a quarter of utilisation fees payable to the Group. The transponder utilisation agreements are subject to termination by the Group if utilisation payments are not made on a timely basis.

At the balance sheet date, the Group has a certain concentration of credit risk as 15% (2006: 28%) and 53% (2006: 62%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the satellite transponder business segment.

The credit risk on liquid funds is limited because the majority of counter parties are financial institutions with high credit ratings assigned by international credit-rating agencies and state-controlled financial institutions with good reputation.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

27 FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The Group

	2007					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 year but less than 5 years $'000	More than 5 years $'000
Payables and accrued charges	38,727	(45,388)	(45,131)	(233)	(24)	–
Loan from a minority shareholder	7,488	(7,488)	(7,488)	–	–	–
Secured bank borrowings	680,335	(763,331)	(259,666)	(284,113)	(219,552)	–
	726,550	(816,207)	(312,285)	(284,346)	(219,576)	–

The Company	$'000	$'000	$'000	$'000	$'000	$'000
Payables and accrued charges	2,439	(2,439)	(2,439)	–	–	–
	2,439	(2,439)	(2,439)	–	–	–

The Group

	2006					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 year but less than 5 years $'000	More than 5 years $'000
Payables and accrued charges	53,777	(65,928)	(63,303)	(2,361)	(264)	–
Loan from a minority shareholder	7,488	(7,488)	(7,488)	–	–	–
Secured bank borrowings	930,354	(1,083,443)	(210,408)	(262,391)	(610,644)	–
	991,619	(1,156,859)	(281,199)	(264,752)	(610,908)	–

The Company	$'000	$'000	$'000	$'000	$'000	$'000
Payables and accrued charges	2,130	(2,130)	(2,130)	–	–	–
	2,130	(2,130)	(2,130)	–	–	–

27 FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

The Group is subject to interest rate risk due to fluctuation in interest rates. As of 31 December 2007, the Group's outstanding bank loans consist of variable interest rate loans only. From time to time, the Group may enter into interest rate swap agreements designed to mitigate exposure to interest rate risks, although the Group did not consider it necessary to do so in 2007. Upward fluctuations in interest rates increase the cost of new bank loans and the interest cost of outstanding bank loans. As a result, a significant increase in interest rates could have a material adverse effect on the financial position of the Group.

(i) Interest rate profile

The Group

	2007		2006	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Variable rate borrowings:				
Secured bank borrowings	**6.13%**	**680,335**	5.76%	930,354

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit after taxation and total equity by approximately $5,613,000 (2006: $7,675,000) so far as the effect on interest-bearing financial instruments is concerned.

(d) Foreign currency risk

The Group's reporting currency is the Hong Kong Dollar. The Group's revenues, premiums for satellite insurance coverage and debt service and substantially all capital expenditures were denominated in the United States Dollars. The Group's remaining expenses were primarily denominated in the Hong Kong Dollars. The Group does not hedge its exposure to foreign exchange risk. Gains and losses resulting from the effects of changes in the United States Dollar to the Hong Kong Dollar exchange rate are recorded in the consolidated income statement.

The Group does not utilise derivative financial instruments to hedge its foreign currency rate risks.

27 FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk (Continued)

In respect of other trade receivables and payables and cash and cash equivalents held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's borrowings are denominated in the United States Dollars. Given that all of the Group's revenues are denominated substantially in the United States Dollars, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2007 Renminbi '000	2006 Renminbi '000
Trade and other receivable	**16,085**	3,920
Cash and cash equivalents	**40,361**	40,283
Trade and other payables	**(4,714)**	(6,928)
Overall net exposure	**51,732**	37,275

(Expressed in Hong Kong dollars)

27 FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group

	2007		2006	
	Increase in foreign exchange rates %	Effect on profit after tax and retained profits $'000	Increase in foreign exchange rates %	Effect on profit after tax and retained profits $'000
Renminbi	5%	2,752	5%	1,983

(e) Fair values

The following financial assets and liabilities have their carrying amount approximately equal to their fair value: trade receivables, deposits, prepayments and other receivables, cash and cash equivalents, payables and accrued charges, and secured bank borrowings.

(i) Interest-bearing loans and borrowings and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

28 PLEDGE OF ASSETS

At 31 December 2007, the assets under fixed charge were APSTAR V and APSTAR VI, which had carrying value of approximately $2,317,238,000 (2006: $2,506,454,000), and bank deposits of approximately $83,749,000 (2006: $89,190,000).

At the balance sheet date, certain of the Group's banking facilities are secured by the Group's land and buildings with a net book value of $4,538,000 (2006: $4,655,000).

29 CONTINGENT LIABILITIES

(i) In the years before 1999, overseas withholding tax was not charged in respect of the Group's transponder utilisation income derived from the overseas customers. From 1999, overseas withholding tax has been charged on certain transponder utilisation income of the Group and full provision for such withholding tax for the years from 1999 onwards has been made in the financial statements. The Directors of the Company are of the opinion that the new tax rules should take effect from 1999 onwards and, accordingly, no provision for the withholding tax in respect of the years before 1999 is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant income earned in those years, not provided for in the financial statements amounted to approximately $75,864,000.

(ii) The Company has given guarantees to banks in respect of the secured term loan facility granted to its subsidiary. The extent of such facility utilised by the subsidiary at 31 December 2007 amounted to $683,056,000 (2006: $936,069,000).

30 COMMITMENTS

At 31 December 2007, the Group had the following outstanding capital commitments not provided for in the Group's financial statements:

	The Group	
	2007	**2006**
	$'000	**$'000**
Contracted for	**3,398**	4,852
Authorised but not contracted for	**–**	–
	3,398	4,852

(Expressed in Hong Kong dollars)

31 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

(i) Land and buildings:

	The Group	
	2007 $'000	2006 $'000
Within one year	**592**	849
After one year but within five years	**257**	828
	849	1,677

Operating lease payments represent rental payable by the Group for its office properties. Leases are negotiated for a period of one to three years and rentals are fixed for the whole lease term.

(ii) Satellite transponder capacity:

	The Group	
	2007 $'000	2006 $'000
Within one year	**2,414**	3,825
After one year but within five years	**–**	1,797
	2,414	5,622

Operating lease payments represent rental payable by the Group for the leasing of satellite transponders for a period of one to three years and rentals are fixed for the whole lease term.

The Group as lessor

Property rental income earned during the year was $592,000 (2006: $536,000). At the balance sheet date, certain properties with an aggregate carrying value of $11,407,000 (2006: $8,892,000) were held for rental purposes and the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $442,563 (2006: $442,563) and after one but within five years amounting to $66,924 (2006:$ 334,620). Depreciation charged for the year in respect of these properties was $160,000 (2006: $160,000).

31 LEASING ARRANGEMENTS (Continued)

The Group as lessor (Continued)

Service income earned relating to leasing of facilities equipment during the year was $440,170 (2006: $734,000). At the balance sheet date, the Group had contracted with customers for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $96,504 (2006: $324,094).

The Company did not have any leasing arrangements at the balance sheet date.

32 RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Under the scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000 and thereafter contributions are voluntary. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

As stipulated by the regulations of the PRC, the subsidiaries in the PRC participate in basic defined contribution pension plans organized by their respective Municipal Governments under which they are governed. Employees in the PRC are entitled to retirement benefits equal to fixed proportion of their salary at their normal retirement age. The Group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate on the salaries, bonuses and certain allowances of its employees.

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	2007 $'000	2006 $'000
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to certain shareholders and its subsidiary of the Company *(note i)*	**11,975**	16,309
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to a holding company and its subsidiaries of a shareholder of the Company *(note i)*	**32,630**	36,068
Management fee income from a jointly controlled entity *(note ii)*	**580**	480

Certain of these transactions also constitute connected transactions under the Listing Rules. Further details of these transactions are disclosed under the paragraph "Continuing Connected Transactions" in the Directors' report.

(Expressed in Hong Kong dollars)

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) At the balance sheet date, the Group had the following amounts included in the consolidated balance sheet in respect of amounts owing by and to related parties:

	Amounts due from immediate holding company		Amounts due from a jointly controlled entity		Trade receivables		Deposits, prepayments and other receivables		Payables and accrued charges		Rentals received in advance and deferred income	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Immediate holding company	**101**	82	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Jointly controlled entities	**–**	–	**75,369**	75,035	**–**	–	**–**	–	**–**	–	**–**	–
Certain shareholders and its subsidiary of the Company	**–**	–	**–**	–	**2,628**	1,037	**–**	–	**219**	228	**2,540**	–
Holding company and its subsidiaries of a shareholder of the Company *(note (i))*	**–**	–	**–**	–	**3,468**	908	**–**	123	**15**	11	**197,692**	217,193

Notes:

(i) The terms and conditions of these transponder capacity utilisation agreements are similar to those contracted with other customers of the Group.

(ii) Management fee income arose from a reimbursement of cost of service provided to a jointly controlled entity under the agreement.

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2007 $'000	2006 $'000
Short-term employee benefits	**11,057**	10,591
Other long-term benefits	**367**	687
Termination benefits	**706**	–
	12,130	11,278

Total remuneration is included in "staff costs" (see note 5(b)).

34 NON-ADJUSTING POST BALANCE SHEET EVENT

Pursuant to a disposal agreement dated 2 April 2008, CTIA VSAT Network Limited, a subsidiary of the Company, agreed to dispose of its entire equity interest in Beijing Asia Pacific East Communication Network Limited to an independent third party at a total consideration of RMB4,800,000. Beijing Asia Pacific East Communication Network Limited has direct holding of 35% equity interest in Zhong Guang Xian Da which is a jointly controlled entity of the Company.

35 ULTIMATE CONTROLLING PARTY

The Directors consider the controlling party of the Group 31 December 2007 to be APT Satellite International Company Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

36 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

The financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

(b) Critical accounting judgement in applying the Group's accounting policies

The following are some of the more critical judgement areas in the application of the Group's accounting policies that currently affect the Group's financial condition and results of operations.

(Expressed in Hong Kong dollars)

36 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies (Continued)

(i) Depreciation

Depreciation of communication satellites is provided for on the straight-line method over the estimated useful life of the satellite, which is determined by engineering analysis performed at the in-services date and re-evaluated periodically. A number of factors affect the operational lives of satellites, including construction quality, component durability, fuel usage, the launch vehicle used and the skill with which the satellite is monitored and operated. As the telecommunication industry is subject to rapid technological change and the Group's satellites have been subjected to certain operational lives, the Group may be required to revise the estimated useful lives of its satellites and communication equipment or to adjust their carrying amounts periodically. Accordingly, the estimated useful lives of the Group's satellites are reviewed using current engineering data. If a significant change in the estimated useful lives of our satellites is identified, the Group accounts for the effects of such change as depreciation expenses on a prospective basis. Details of the depreciation of communication satellites are disclosed in notes 1(g) and 12.

Depreciation for future satellites will depend on in-orbit testing on their estimated useful lives after successful launch and, as the cost of the future satellites is greater than the carrying value of the current satellites, the depreciation charge is expected to increase in the coming years.

(ii) Trade receivables and other receivables

The management of the Group estimates the provision of bad and doubtful debts required for the potential non-collectability of trade receivables and other receivables at each balance sheet date based on the ageing of its customer accounts and its historical write-off experience, net of recoveries. The Group performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' current credit worthiness. The Group does not make a general provision on its trade receivables and other receivables, but instead, makes a specific provision on its trade receivables and other receivables. Hence, the Group continuously monitors collections and payments from customers and maintains allowances for bad and doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the customers of the Group were to deteriorate, actual write-offs would be higher than estimated. For the year ended 31 December 2007, the Group had made provisions for bad debts in the amount of $80,000 (2006: $8,347,000).

36 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies (Continued)

(ii) Trade receivables and other receivables (Continued)

The Group periodically reviews the carrying amounts of provision for bad and doubtful debts to determine whether there is any indication that the provision needs to be written off. If the Group becomes aware of a situation where a customer is not able to meet its financial obligations due to change of contact information by the customer without notification or after seeking professional advice from lawyers or debt collection agent that the probability of recovery is remote, the Group will consider to write off the debt.

(iii) Impairment of property, plant and equipment

The Group periodically reviews internal or external resources to identify indications that the assets may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In assessing the recoverable amount of these assets, the Group is required to make assumptions regarding estimated future cash flows and other factors to determine the net realisable value. If these estimates or their related assumptions change in the future, the Group may be required to adjust the impairment charges previously recorded.

The Group applies the foregoing analysis in determining the timing of the impairment test, the estimated useful lives of the individual assets, the discount rate, future cash flows used to assess impairments and the fair value of impaired assets. It is difficult to precisely estimate the price of the transponder capacities and related satellite services and residual values because the market prices for our assets are not readily available. The estimates of future cash flows are based on the terms of existing transponder capacity and service agreements. The dynamic economic environment in which the Group operates and the resulting assumptions used in setting depreciable lives on assets and judgement relating to the utilisation rate of the assets, price and amount of operating costs to estimate future cash flows impact the outcome of all of these impairment tests. If these estimates or their related assumptions change in the future, the Group may be required to record impairment loss for these assets not previously recorded.

(Expressed in Hong Kong dollars)

36 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies (Continued)

(iii) Impairment of property, plant and equipment (Continued)

The Group periodically reviews the carrying amounts of its property, plant and equipment through reference to its use value and fair market value as assessed both by the Group and by an independent professional property appraiser. If the use value or fair market value of the property, plant and equipment are lower than their carrying amount, the Group may be required to record additional impairment loss not previously recognised. Details of the impairment loss of property, plant and equipment are disclosed in note 12.

(iv) Contingencies and provisions

Contingencies, representing an obligation that are neither probable nor certain at the date of the financial statements, or a probable obligation for which the cash outflow is not probable, are not recorded.

Provisions are recorded when, at the end of period, there is an obligation of the Group to a third party which is probable or certain to create an outflow of resources to the third party, without at least an equivalent return expected from the third party. This obligation may be legal, regulatory or contractual in nature.

To estimate the expenditure that the Group is likely to bear in order to settle an obligation, the management of the Group takes into consideration all of the available information at the closing date for its consolidated financial statements. If no reliable estimate of the amount can be made, no provision is recorded. For details, please refer to note 29 on contingent liabilities.

(Expressed in Hong Kong dollars)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the IASB/HKICPA have issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has conducted that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
Revised IAS/HKAS 1, Presentation of financial statements	1 January 2009
Amendment to IAS/HKAS 23, Borrowing costs	1 January 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to IAS 32, Financial instruments: Presentation and IAS 1, Presentation of financial statements	1 January 2009
Amendment to IFRS 2, Share-based payment	1 January 2009
Revised IFRS 3, Business combinations	1 July 2009
IFRS/HKFRS 8, Operating segments	1 January 2009
IFRIC/HK(IFRIC) Interpretation 12, Service concession arrangements	1 January 2008
IFRIC/HK(IFRIC) Interpretation 13, Customer loyalty programmes	1 July 2008
IFRIC/HK(IFRIC) Interpretation 14, IAS/HKAS19-The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 December				
	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000
Turnover	302,241	277,260	336,512	426,988	**451,626**
Cost of services	(280,319)	(244,755)	(301,193)	(338,259)	**(314,792)**
	21,922	32,505	35,319	88,729	**136,834**
Other operating income	33,051	9,332	30,831	37,542	**26,334**
Administrative expenses	(74,892)	(78,680)	(77,199)	(88,957)	**(81,896)**
Revaluation gain on investment property	–	–	–	156	**226**
Other operating expenses and losses	(128,270)	(1,722)	(67,416)	–	**(98)**
Profit/(loss) from operations	(148,189)	(38,565)	(78,465)	37,470	**81,400**
Finance costs	–	(4,117)	(36,942)	(64,140)	**(55,345)**
Share of results of jointly controlled entities	(57,132)	(2,709)	(7,995)	2,182	**(894)**
Profit/(loss) before taxation	(205,321)	(45,391)	(123,402)	(24,488)	**25,161**
Income tax	(11,721)	(16,625)	(13,172)	(56,128)	**(20,445)**
Profit/(loss) for the year	(217,042)	(62,016)	(136,574)	(80,616)	**4,716**
Attributable to:					
Equity shareholders of the Company	(216,119)	(59,957)	(135,564)	(79,480)	**5,581**
Minority interests	(923)	(2,059)	(1,010)	(1,136)	**(865)**
Profit/(loss) for the year	(217,042)	(62,016)	(136,574)	(80,616)	**4,716**

ASSETS AND LIABILITIES

	At 31 December				
	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000
Total assets	3,305,571	3,620,792	3,614,289	3,407,562	**3,135,582**
Total liabilities	(1,046,624)	(1,423,783)	(1,552,737)	(1,425,329)	**(1,146,891)**
Net assets	2,258,947	2,197,009	2,061,552	1,982,233	**1,988,691**

Notes:

The results for all years prior to 2004 are stated on the basis of the Group's previous accounting policies, which are changed with effect from 1 January 2005 (with 2004 figures restated).

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